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Case Studies of the Impact of Federal Aid on Major Cities: City of Rochester

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ON MAJOR CITIES

CITY OF ROCHESTER

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THE IMPACT OF FEDERAL AID
ON THE
CITY OF ROCHESTER

A Case Study for the Brookings Institution

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PREFACE

The decade of the 1970s was a time of several basic changes in the way the federal government tried to help cities solve their problems.

The most important of these changes was a major expansion of direct federal aid to cities. In 1970, the federal government made \$1.3 billion in direct grants to cities; the figure in 1978 was more than six times as large. Because the amount of tax revenues that cities were raising locally only doubled during that period, the federal government became the source of a larger share of the total budget for many cities. The Advisory Commission on Intergovernmental Relations estimates that in 1967 federal grants to the nation's forty-seven largest cities were equal to 10 percent of the amount of money that those cities taken together raised from their own sources of income; by 1978, that figure was roughly 50 percent.

There have also been changes over the same period in the geographic distribution of federal funds and in control over these funds within cities. Under the Great Society programs of the 1960s, each city had to apply to a different federal agency for federal funds under each category of aid; the agencies allocated the money to a relatively limited number of cities that came up with the strongest applications. With the Nixon's administration's New Federalism and the Carter administration's Economic Stimulus Package, funds for many purposes began to be parceled out to any city that meets the criteria of an eligibility formula. This less restrictive approach spreads funds to cities that in the past had received little or no federal money. Among the large cities, the major beneficiaries of this change are in the South and West.

This increase in funding has been accompanied by a shift in the locus of control over how these funds are distributed inside cities. Great Society programs channeled money largely into institutions that were outside the regular city governments, such as nonprofit organizations, model cities agencies, community action agencies, and urban renewal authorities. The programs of the seventies, by contrast, put money in the hands of the elected city officials, who have substantial discretion in deciding how to spend them. Local agencies that in the past submitted their own applications to Washington must now work through city hall to obtain federal money; just as important, leaders of community groups with special interests in certain programs must also deal with city councils and mayors to make sure that their interests are served. These changes have affected political practices in many cities.

Public policy makers and academic researchers have noted these shifts in the level and form of federal grants to cities, and

several studies have been made of how individual federal programs operate. But few persons have tried to assess their consequences in a systematic way. No one knew how much federal aid of all types taken together was flowing to American cities, and in what ways this money was affecting the ways that local budgets were designed and programs were operated.

This study of the impact of federal grants on the city of Rochester by Professor Sarah F. Liebschutz of The State University of New York at Brockport is among a series of case studies designed to explore these areas. The studies are being conducted by the Monitoring Studies Group of the Brookings Institution under a contract from the U.S. Department of Labor and Department of Commerce. Similar studies of Phoenix, Houston, St. Louis, and Tulsa have been completed; others in this series will appear later. The authors of these studies are using a common analytical framework that will permit the reader to make comparisons between cities that confront different economic, budgetary, and political conditions.

Each author tried to find the answers to four sets of questions:

1. To what extent have cities become dependent on federal grants to pay for basic services? In 1978, when Congress debated whether to extend the programs in the Carter administration's Economic Stimulus Program, several people expressed concern that cities might be turning into "federal aid junkies" because of the growth in the amounts of grants they are receiving. But the number of dollars a city receives in federal aid does not by itself necessarily make the city dependent on Washington; before you can determine whether a city is dependent, you must investigate other aspects of its fiscal condition.

A city that is under relatively little financial pressure may choose to rely on local revenues for basic services while using federal money for capital projects and one-time operating expenses that would not have to be brought into the regular city budget if federal aid were to be cut. By contrast, a city that is hard pressed to pay for basic services with local money may channel federal funds into police salaries, park maintenance, or the like. For such a city, a cut in federal aid would mean either a cut in basic services or a boost in local tax rates. The second type of city is more dependent on federal aid than the first type, but this fact has little to do with the number of dollars that each receives from the federal government, or even with the number of federal dollars in relation to local tax revenues.

The case studies in this series use several ways to determine to what extent a city is dependent on federal aid. Each such case study reports not only what share of the city budget is provided by federal money, but also what functions are supported by federal dollars; what policies the city has set for using grants; how easily the city could replace federal money; and how strongly constituents support the activities that are funded by the federal money.

Because it deals not only with how much money a city gets but also with what the city uses aid for and what the city would do if aid were curtailed, this approach provides a complete picture of the budgetary and political significance of federal grants to cities.

2. Has the Carter administration's Economic Stimulus Package (ESP) helped reduce employment? The three programs in ESP take different approaches to the use of federal grants to counteract the effects of economic downturns. The three are the local public works (LPW) program; the anti-recession fiscal assistance (ARFA) program; and a doubling of the public service employment (PSE) program originally authorized by the Comprehensive Employment and Training Act (CETA). Several researchers have compared how these programs operate in the aggregate, but few people have investigated their operations and outcomes in particular places. These case studies assess how effective the ESP programs have been in promoting local economic recovery and describe the advantages and disadvantages of each program as it operates locally.

3. Who benefits from federally supported programs? Some aid programs require cities to spend federal money on specified services designed especially for certain income groups or areas; other programs specify who must be served, but let the cities decide how to serve them; still other programs require cities to provide certain services but do not specify any particular group as the beneficiary. These case studies use a common way of classifying benefits; they pay particular attention to programs in which the local government has some control over who will benefit.

4. Who decides how federal money will be spent? The federal aid programs of the 1970s were designed to put more authority on how to spend grants in the hands of elected local officials, especially mayors. This change has taken some power out of the hands of the staff of city departments, private community groups, and federal officials. These case studies describe the political process by which federal money is allocated in each city, identify the persons and groups who play roles in this process, and assess how federal grants have affected local decision making and politics.

Professor Liebschutz portrays Rochester as an older northeastern city with many of the problems common to such cities -- an outmigration of population and jobs and an increasing concentration of minorities and disadvantaged citizens. The city's population declined by over 20 percent between 1950 and 1976, and employment in manufacturing, the mainstay of the city's economy, fell by 24 percent between 1967 and 1977. The disparity between median family income in the city and that in the suburbs has also increased substantially in the last ten years. Currently, over half of the families in Rochester have incomes below 80 percent of the median family income of the metropolitan area.

In spite of these trends, the city's economic outlook is not entirely bleak. The city has retained its position as the service and financial center of the metropolitan area, and white-collar employment increased by 12 percent between 1970 and 1975. The city attracts considerable convention business, and the outlook for future manufacturing employment is more optimistic than for other northeastern cities.

The city's financial position has come under considerable pressure in recent years. The property tax base has remained virtually unchanged over the last five years, as a result of increases in tax-exempt property and residential abandonment, which have offset gains due to reassessment. As a result, the city's own-source revenue increased by only one-third between 1973 and 1978, while total operating costs increased by almost two-thirds. The major cause of this increase in costs was increases in pension and salary costs for police and fire. The city has responded to these pressures through a combination of tax increases; transfer of functions to other levels of government; and increased reliance on outside assistance, including federal grants.

The city's financial outlook was further weakened by a 1978 state appellate court decision which required the city to substantially reduce property tax revenues. Since 1974, Rochester and several other New York cities had been taxing above the state constitutional limit on property tax collections under a state law which exempted property taxes used to finance pensions and social security payments from the constitutional limit. The state court decision overturned this exemption, forcing the city to reduce its projected 1979 property tax revenue by \$16 million.

Within this economic and budgetary context, the following effects of federal grants were identified:

1. Rochester has substantially expanded its use of federal funds in recent years. The city's allocation of federal funds for operating purposes increased from \$7 million in 1973 to over \$26 million in 1978 -- an increase of over 200 percent. Allocations of federal grants in 1978 were equivalent to 36.8 percent of local taxes, an increase from 13 percent in 1973. In addition, the city had \$35.9 million in federal grants for capital projects available for expenditures. If the city had financed these projects through its traditional practice of issuing bond anticipation notes, the debt service in 1978 would have been equivalent to an additional 3.1 percent of local taxes.

2. Overlying governments spent more federal money inside Rochester in 1978 than the city did. Total expenditure of federal grants for all purposes inside Rochester by major overlying

governments in 1978 amounted to \$37.6 million, as compared to \$32.9 million by the city government. The bulk of these funds was spent by the county government, which spent in total about one-third more money inside Rochester in 1978 than did the city government. Professor Liebschutz identifies federal grants to the county as being particularly important to this level of services, since federal dollars fund many of the programs provided to city residents.

3. Rochester has become increasingly dependent on federal grants to subsidize basic city services. Although the fungibility of much federal money makes precise estimates difficult, increasing proportions of budgets for basic city services such as police, general administration, and parks are being financed by federal funds. In the event that federal grants were substantially reduced, Rochester would be unable to replace the programs financed by these funds from local sources and would be compelled both to cut services and to seek additional support from the state and county governments.

4. The city is considerably less dependent on federal grants for capital projects, because it has a strong bond rating and substantial unused debt capacity. The major effect of federal capital programs has been the acceleration of planned capital improvements and the initiation of new programs, notably housing rehabilitation, that could not be financed out of city funds.

5. The public service employment program was the most successful of the three programs in the Economic Stimulus Package in creating jobs quickly. The pattern of job creation under the local public works program was more erratic, due to variations in employment associated with particular projects, weather, and competing demands for materials and skilled labor.

6. Low and moderate income groups were the major direct beneficiaries of programs supported by federal funds. This pattern of benefits stemmed largely from housing, jobs, and service programs funded by grants which contained explicit income eligibility criteria. Economic development and environmental improvement programs, by contrast, benefited a wider range of income groups.

7. Major policy decisions about the uses of federal grants were made almost exclusively by the manager and the council. Although there was extensive participation by neighborhood associations and other interest groups, this activity took place through channels defined and regulated by city officials. Professor Liebschutz indicates that this pattern arose from an attempt by city officials to overcome the fragmentation that had characterized decision making under the major categorical programs and to centralize control over federal funds in the manager and council.

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I. INTRODUCTION

Rochester, New York, has been variously described as "an abandoned mill town...boast(ing) two second-rate chain hotels as the keystone of its rebirth"¹ and the "Oz of the (North) East."² Neither description is wholly inaccurate. The third largest city in New York State, Rochester shares characteristics common to many northeastern cities--declining population; abandoned housing; deteriorating roads, sidewalks, sewers, and houses; and a stagnant property tax base. Nevertheless, Rochester's position as administrative, legal, and financial center of its five-county metropolitan area is virtually unchallenged, and its quality of life is very highly rated among major American cities.

Rochester is located in the western part of the state on the southern shore of Lake Ontario. Within 400 miles are twelve northeastern states and the major population centers of the Canadian provinces of Ontario and Quebec. Monroe County, overlying Rochester, is the central county of the Rochester Standard Metropolitan Statistical Area (SMSA), and contains about three-quarters of the SMSA's population. The metropolitan area itself extends southward from Lake Ontario approximately twenty-five miles on both sides of the Genesee River.

During most of the time since it was settled in 1812, Rochester dominated this geographical area in population and jobs. Rochester's early growth was linked to completion of the Erie Canal in 1823 and the existence of a source of power from four waterfalls on the Genesee River. Flour milling was Rochester's major economic activity until the middle of the nineteenth century.

By the late 1800s, Rochester's economy had shifted away from industries linked with raw materials and natural resources to those dependent on technical invention, skilled labor, and machines--a condition that prevails even today. Manufacturing of shoes and clothing was overtaken in the mid-twentieth century by the photographic and optical industries. As explained later, the city's economic prominence in the local area has been challenged in the past two decades.

Demographic Trends

Since 1950, Rochester has continually lost population while Monroe County and the metropolitan area have grown.

Table 1. Population in Rochester, New York, and Surrounding Area, 1950-1976

Year	City of Rochester	County of Monroe	Rochester SMSA ^a
1950	332,488	487,632	487,632
1960	318,611	586,387	586,387
1970	296,233	711,917	962,000
1976 (est.)	262,766	713,870	978,007
Percentage Change			
1950-1976	-20.9	+46.4	+100.6

Source: U.S. Census of Population and Housing, 1950, 1960, and 1970; Bureau of the Census, Current Populations Reports, Series P-25

- a. In 1950 and 1960 the Rochester Standard Metropolitan Statistical Area included only Monroe County. In 1970 it comprised Monroe, Livingston, Wayne, and Orleans Counties. In 1975, Ontario County was added.

As of 1976, Rochester's estimated population was 262,766--a decline of almost 70,000 persons since 1950. The city's population decreased slightly, by 4 percent, between 1950 and 1960, by 7 percent from 1960 to 1970, and by approximately 11 percent since 1970 (see table 1). Thus the aggregate loss of population since 1950 was more than 20 percent; the rate of decline has accelerated in recent years.

By contrast, the population of Monroe County increased rapidly from 1950 to 1970 and stabilized recently (see table 1). The population trend for the SMSA closely approximates that of the county, which contains most of the SMSA population. The 1970 census revealed for the first time that Rochester no longer contained a majority of the population of Monroe County. This was a result of growth in the suburban areas in the county and decline in the city proper, for reasons to be explained later.

The decline in Rochester's population has been accompanied by changes in its composition by race, household size, and income. The city's population is clearly more economically disadvantaged and more nonwhite than that of the county and the metropolitan area.

In 1960, white residents composed 92 percent of Rochester's population, with black, and Hispanic residents contributing 7.6 percent and 0.5 percent, respectively. By 1970, the city was 78 percent white, 17 percent black, and 5 percent Hispanic. By 1975, the white population was estimated to have decreased to approximately 70 percent, with black and Hispanic proportions increasing to 21.5 percent and 8.7 percent, respectively.³ In contrast, Monroe County's population outside of Rochester in 1978 was estimated to be less than 2 percent nonwhite.⁴

Income data also show widening disparities between Rochester and its suburbs, and among population groups within the city itself. The 1970 median household income for Rochester was \$10,002---16.5 percent below the median for the SMSA. By 1976, the median household income within the city had increased to \$13,100, but the rate of increase was much higher in the area outside of the city. As a result, Rochester's median household income in 1976 was 26.3 percent lower than the SMSA median.⁵

Within the city, 1976 median household income for minority groups was lower than for white persons--21.4 percent below the city median income for black households, and 9 percent below the city median income for Hispanic households.⁶ Families with incomes below 80 percent of the area median have constituted approximately 53 percent of total Rochester families since 1970.

Economic Trends

Two phenomena are strongly related to the movement of population away from the city since 1970. One is a steady decline in manufacturing employment, Rochester's major economic sector. The other is the rate of new housing production in the SMSA, which has outstripped the rate of population growth.

Loss of Manufacturing Jobs

Manufacturing--providing almost 45 percent of all jobs in the city in 1970--has been the dominant industry of Rochester for almost a century. The principal products are photographic and optical goods, machinery and precision instruments--all of which are in the durable goods sector, and demand a skilled labor force. Twenty-seven large firms, each employing over 500 persons, accounted for more than 80 percent of city employment in 1970. These firms include such national and multinational corporations as the Eastman Kodak Company, Bausch and Lomb, and the Rochester Products Division of General Motors.

City manufacturing employment is estimated to have declined almost 24 percent between 1967 and 1977--from 114,000 to 87,000 jobs. The city's share of all manufacturing employment in Monroe County is estimated to have decreased from 86 percent to less than 70 percent in time period.⁷ The loss of manufacturing jobs in the city has been attributed to such general factors such as lack of adequate land for expansion and high local taxes,⁸ and to such specific industrial factors as those causing decline in food processing and clothing industries.

While the number of city manufacturing jobs was dropping, the number of such jobs in the county was stable between 1967 and 1977. About 40 percent of the workers in the county labor force have jobs in manufacturing--a proportion that is "approximately one and one-half times that of the state and national labor force."⁹ Because the county labor force includes city jobs, it is clear that the city's losses in manufacturing jobs were offset by the suburban gains.

New Housing Construction

The other element contributing to loss of city population since 1970 was production of new housing between 1970 and 1975 in the SMSA far in excess of actual population increase. While the Rochester SMSA population was growing by 1 percent during this period, more than 41,000 new housing units were being built, 86 percent of them located outside the city. The first evidence of excess housing capacity was high vacancy rates in new projects in 1973.

Thereafter, "households filtered upward and outward through the housing stock"¹⁰ in the metropolitan area. The inevitable result was abandonment of buildings in the oldest and poorest areas of the central city. The annual delinquency rate on city property taxes rose from the relatively stable average of 4.5 percent during the decade prior to 1972 to 8.5 percent in 1975-1976. This increase was viewed as a symptom of housing abandonment.

Retention of jobs and action to counter housing abandonment are key elements of Rochester's present strategy for economic and community development.

The Political Setting

Rochester's form of government, a partisan modification of the council-manager system, is a clue to two dominant, sometimes competing, political characteristics--governmental efficiency and partisanship.

The city manager form of government was adopted in a referendum in 1925. It had been advocated by a coalition of business and civic leaders in order to "press the quest for increased efficiency"¹¹ in government. The traditions of civic participation and city management concerned with efficient administration persist today.

Citizen conferences on Rochester's future, well organized neighborhood associations, and recent activity of the Downtown Development Corporation (all discussed later) are current examples of civic participation in Rochester.

Partisan elections to the nine-member city council, a variation on the pure city manager form advocated by municipal reformers, were reinstituted in 1928 after a challenge to the referendum results by the Monroe County Republican Party. Until 1961, city council majorities were consistently Republican. The local parties have alternated control of the council since then. Democrats have held eight of the nine seats since 1974. Four of the council seats are elected by district and five, at-large.

Uneasy alliances between the local Republican and Democratic parties, city council members, and managers appointed to serve at the council's pleasure, are characteristic of Rochester. The appointment of Elisha Freedman as city manager in 1974 and his dismissal in 1978 is a case in point. Freedman was initially appointed on the basis of his extensive prior experience in municipal administration in Connecticut and Maryland. The council pledged that he would be free from partisan interference in staffing and executing programs. His dismissal was explained by both appointed and elected officials as the outcome of small disagreements with council members that accumulated over the

four-year period--not the result of one single or dramatic conflict.

Following his dismissal, a newspaper story pointed up the difficult position of a "professional" city manager in a partisan system. "Freedman," the Rochester Times-Union stated, "has done a good job in restoring sound administrative practices to the city and has improved the basic delivery of government services." But, the article added, council members "who must run for office need public exposure to maintain visibility. The manager, with his close contact with day-to-day affairs is frequently more visible." The reporter observed that the problem of where the council's role as partisan policy maker leaves off and where the manager's role as chief administrator begins is "sticky."

The Local Budget Process

Rochester's budget process is highly centralized, with the city manager and his budget director directing and shaping the process in the context of the city's strained operating resources. The annual process begins when all city departments submit budget requests that state what the department would do if there were a decrease, an increase, or no change in the next department budget. The alternative budget proposals for each department are reviewed by the budget director and the city manager, who then recommend a budget for each department to the city council majority in caucus. Except for the allocation of selected federal grants, as will be discussed later, the council has tended to defer to the manager's recommendations regarding the operating budgets of city departments.

Although individual departments negotiate separately with the budget director and the manager for operating funds, capital planning involves interdepartmental coordination. The Capital Improvement Program (CIP), a document outlining proposed capital expenditures for a six-year period, is updated annually. A Capital Program Review Committee reviews capital requests from all departments and advises the city manager. This committee consists of top administrators of the departments of community development and engineering and maintenance and of the planning and budget bureaus. The recommendations of this interdepartmental committee constitute the CIP, which is presented to the public and the council for consideration. The council adopts the CIP in principle and then votes a budget for each department.

City Finances

Rochester's operating budget in recent years has been squeezed by two divergent trends: Spending has gone up while the value of taxable property -- the principal revenue source for the city -- has remained stagnant.

In fiscal 1973, the city's operating budget was \$86.9 million. By fiscal 1978, it had grown by 66 percent to \$144.4 million. The major cause of this increase was a doubling in the city government's contributions to state retirement, social security, and health insurance programs for city employees.

The actual number of full-time permanent city workers was dropping by 17.5 percent during this period, however -- from 4,000 to 3,300. City officials pared the work force by transferring functions to the county government (as we will discuss in more detail later), contracting parking garage operations and street resurfacing to private firms, and improving productivity of some departments, especially sanitation. The only departments that escaped cuts were police and fire, which by 1978 made up half of all permanent employees.

During this same period, revenues generated from the city property tax increased by only 34.6 percent (see table 2). While the tax rate was climbing by 69 percent (from \$33.68 to \$57.24 per thousand dollars of assessed valuation), the assessed value of real property was declining by 0.3 percent (from \$748.3 million to \$745.9 million). Decreases in property value resulted from demolitions and fires, a general reassessment of the declining central business district in 1976, and growth in tax-exempt property. A study covering 1967 through 1977 found that "while the assessed value of taxable property increased by 7.5 percent, the assessed valuation of exempt property (mainly the result of new government buildings and still-undeveloped urban renewal land) increased by 56 percent."¹² Twenty-nine percent of all property in Rochester is currently tax exempt.

The stagnant overall value of real property leads to a revenue problem because property tax revenues amounted to 23 percent of total 1978 operating revenues (see table 2). Other revenues generated directly by the city government include those from front-footage (local works) assessments, user fees, and other charges. City-generated revenues did not keep pace with increased costs of city operations, declining from 62 percent of fiscal 1973 total operating revenues to 54 percent in 1978.

As the city's own-source revenues declined relative to total costs, intergovernmental fund transfers grew in importance. The county government, as seen in table 2, is the largest source of intergovernmental funds, accounting for almost one-quarter of Rochester's total operating revenues in fiscal year 1978. Revenues from a 3 percent sales tax, imposed by the county government and distributed to all general-purpose governments and school districts within Monroe County, yielded over \$25 million to Rochester's city government in 1978. In spite of the increase of almost \$10 million in county funds for city operations between fiscal 1973 and 1978, the rate of increase of funds from the state and federal governments outstripped that of county revenues.

New York State has played an increasingly important role in providing unrestricted general revenue to Rochester, particularly through appropriations of municipal overburden aid--a program begun in 1976 for the state's largest cities. State municipal overburden aid accounted for much of the 140 percent increase in state payments to the city between 1973 and 1978, constituting half of the state's contributions in 1978.

Table 2. Revenue Sources for Operating Programs, City of Rochester,
Fiscal Years 1973 and 1978

(thousands of dollars)

<u>Operating Revenue Sources</u>	<u>FY 1973</u>	<u>FY 1978</u>	<u>Percentage Difference</u>
<u>Revenues from City of Rochester</u>	<u>59,391</u>	<u>80,730</u>	<u>+35.9</u>
<u>Taxes</u>	36,226	46,147	+27.4
Property (ad valorem)	25,700	34,602	
Local works assessments (front footage)	6,750	5,628	
Utilities gross receipts tax	933	1,622	
Other	2,843	4,295	
<u>Charges and Fees</u>	4,165	3,777	-9.3
Licenses, permits, and fines	1,428	1,628	
Departmental income	766	637	
Use and sale of money and property	1,971	1,512	
<u>Fund Transfers and Miscellaneous</u>	5,764	10,938	+89.8
<u>Enterprise and Special Funds</u>	13,236	19,868	+50.1
Water	9,812	11,805	
Parking	1,900	3,646	
Library	530	2,340	
War Memorial and stadium	571	1,289	
Cemetery	364	592	
Port of Rochester; public market	59	196	
<u>Revenues from Monroe County</u>	<u>24,891</u>	<u>33,632</u>	<u>+35.1</u>
Sales tax	17,968	25,324	
Debt service reimbursement (sewers, highways)	5,992	6,152	
Library operations	1,063	2,156	
Other	138	...	

Table 2, continued

<u>Operating Revenue Sources</u>	<u>FY 1973</u>	<u>FY 1978</u>	<u>Percentage Difference</u>
Revenues from <u>New York State</u>	<u>3,162</u>	<u>7,593</u>	<u>+140.1</u>
State revenue sharing	2,643	2,067	
Municipal overburden aid	...	3,867	
Other operating grants	519	1,178	
Western New York Region off-track betting	...	481	
Revenues from <u>Federal Government</u>	<u>7,030</u>	<u>26,290</u>	<u>+273.9</u>
General revenue sharing	4,124	4,077	
Model cities	2,406	...	
LEAA	...	868	
CDBG (operating purposes only)	...	2,740	
CETA	...	17,045	
Countercyclical revenue sharing	...	1,560	
Other operating grants	500	...	
Total	<u>94,474</u>	<u>148,245</u>	<u>+56.9</u>

Sources: City of Rochester 1975-1976 and 1979-1980 budgets, and Federal Grants Office. The data presented are actual revenues received.

Revenues from federal sources displayed the most dramatic growth over the five years under review. The city received \$26.3 million in federal funds in fiscal 1978, almost four times the amount received in 1973. Thus, funding sources outside the city have become more prominent as the city's ability to generate operating revenues from the property tax has diminished.

Capital Expenditures

Rochester's status in the municipal market has been consistently strong--a sharp contrast to its serious problems in generating local operating funds.

Rochester was the only large city in New York State to enjoy a triple-A credit rating at the start of fiscal 1978. The rating was downgraded to double-A in March 1978, in belated recognition of the stagnant property tax base and the increased tax delinquency rate.

Rochester's bonded indebtedness for city purposes grew one and one-half times between 1967 and 1977, from \$85.3 million to \$220 million. The debt growth represented support for an ambitious capital program. Part of the debt was incurred as the city's share of an urban renewal program that channeled more than \$160 million from federal, state, and local sources to eleven clearance projects in Rochester's core area. Since 1973, tax-supported debt has been incurred to carry out a local capital improvements program.

Debt service at \$26 million in fiscal 1978 was 18 percent of total operating expenditures (see appendix C for operating expenditure components). Of this amount, \$6 million was reimbursed by the county Pure Waters Authority for sewer construction under a cooperative agreement between the city and county governments.

Although the state constitution limits the city's bonded indebtedness to 9 percent of the five-year average of the full value of real property, Rochester has stayed well within that limit. After authorized exclusions of water, sewer, and urban renewal debt, the city's debt contracting margin was \$74 million at the end of fiscal 1978.

The Waldert Decision

The ability of the property tax to meet operating cost increases is explained only in part by the lack of growth in the property tax base. The situation is vastly complicated by a state constitutional limit on Rochester's power to impose real property taxes for current operating purposes. For cities with populations between 125,000 and 1 million, the constitutional taxing limit is 2 percent of the most recent five-year average of the value of taxable real estate. The revenue so generated must finance both general city services and education. Cities affected by the constitutional limit are Buffalo, Rochester, Syracuse, and Yonkers.

Acting under a 1969 state law that authorized exclusion of retirement and social security from the 2 percent limit, Rochester had excluded these costs, since 1970, from the property tax levies for the city and its fiscally dependent school district. With these costs excluded, the combined spending of the city government and the school district was about \$4 million less than the limit in 1977-1978. With the costs included, the taxing limit would have been exceeded by almost \$30 million.

The New York State Court of Appeals in March 1974 declared the 1969 state law unconstitutional in Hurd v. City of Buffalo. The court held that "the constitutional provisions...involve a unified and interdependent plan to control the taxing and debt-contracting power of the subdivisions of the state." The state legislature reacted to Hurd by authorizing a referendum on an amendment to the state constitution, and by enacting emergency legislation permitting affected cities to exceed the constitutional limit. In 1975, the proposed constitutional amendment, which would have permanently excluded retirement and social security costs from the 2 percent limitation, was defeated by the state's voters.

The final coup de grace to the practice of excluding these costs from the constitutional limit came in May 1978, when the state Court of Appeals, in Waldert v. City of Rochester, declared unconstitutional the 1976 emergency exclusion statute. While the court did not question "the reality or severity of the financial predicament" facing the affected cities, it concluded that "the problem is not of recent origin and..., in view of the defeat of the proposed constitutional amendment in 1975..., it appears to be anything but temporary." Rochester was ordered in Waldert to comply with the limit on property taxation and to cut proposed 1978-1979 city and school district budgets by 30 percent.

Responses to Waldert

The responses of the city government to Waldert, to the specific necessity of reducing proposed fiscal 1979 property tax revenues for city operations by \$16 million, were characteristic of Rochester. These responses reflected both the administration's determination to maintain current service levels and the city's reliance on Monroe County. More important, they revealed that local solutions were viewed as the immediate key to complying with Waldert.

The level of services desired by city residents was demonstrated in a 1977 survey, which found that over 76 percent of Rochester residents interviewed felt that present levels of police and fire protection, street repairs, and refuse collection could "not be reduced at all...even if cost pressures were to force the city government to reduce or eliminate some services."¹³ Rochester's practice of backyard refuse pickup--a practice long discontinued in most American cities--is often cited as symbolic of the level of services expected by city residents.

Some of the city government's responses to Waldert included shifting the revenue source for street lighting and refuse collection from property taxes to user fees. These responses showed the desire of city officials to maintain rather than reduce municipal services.

On the other hand, the city also appealed to the Monroe County legislature to create a citywide refuse disposal district to transport city refuse from city collection points to county landfills. This response reveals the city's unique relationship with the county government. Because such a special district would fall under the county's jurisdiction, city residents would pay for refuse disposal costs through a county-imposed tax, instead of through city-imposed property taxes.

The failure of the county legislature in November 1978 to enact the special district was linked to other issues, as will be explained later, and was not typical of the relationship between the city and its overlying county. In fact, Monroe County has played a significant role in providing services to city residents.

The Key Role of the County Government

"Metropolitan government is a phrase we're all afraid of...but it is already here in Monroe County." The accuracy of this observation by Lucien Morin, county manager, in June 1978 can be easily documented by reference to the recent history of service consolidations within the county government.

Since 1947, the county has assumed full responsibility for financing and delivering twenty-two services formerly provided by the city government. The largest of these are social services and sewage disposal. Most of the service consolidations occurred after 1965 and were facilitated by institutional and fiscal factors.

In 1965 the county adopted a new county charter providing for a twenty-nine member legislature. The new legislature replaced a forty-three member board of supervisors, consisting of the administrative heads of the city's twenty-four wards and the county's nineteen towns. The old legislature was oriented toward these county subunits rather than the county as a whole; the new legislature had a broader perspective.

The growth by over 100 percent in the assessed value of taxable property in Monroe County outside the city between 1967 and 1977 also eased the financing of new county responsibilities. Thus the county government operating budget increased by \$118 million, or 54 percent, between 1973 and 1978, but the county property tax rate increased by only 8 percent.

The range of functions provided by Monroe County to Rochester residents is considerably more extensive than the services provided

by two neighboring urban counties to their municipalities. A 1977 study¹⁴ found that the following services are not furnished by either Onondaga County, which overlies Syracuse, or Erie County, which overlies Buffalo:

1. airport
2. elections
3. highway maintenance
4. parks
5. public safety communications
6. solid waste disposal
7. traffic engineering
8. youth service projects
9. zoo

Monroe County provides all of these services to Rochester residents in addition to social services, public health services and sewage disposal.

It is estimated that the current cost to the county government of furnishing services to city residents is about \$200 million about 60 percent of the 1978 total county operating budget.¹⁵ The largest county operating programs directed to city residents are social services and public health. The greatest county capital expenditures within the city are for construction of wastewater and sewage collection and treatment facilities. The extent of burden sharing by the county government is noteworthy.

City-County Relations

The nature of the city-county relationship is also important to discuss. The main form that the burden-sharing has taken has been the full assumption by the county of city services. Such arrangements have worked most smoothly where the county dominates financing, policy making, and administration of programs.

Efforts to administer programs jointly have not succeeded. For example, the 1970 merger of city and county purchasing functions failed to bring about the needed cooperation between the county purchasing agency and city departments, and was dissolved in 1975.

A city-county consortium organized in 1973 to receive and administer CETA funds also failed to endure. Administration of the consortium alternated annually from county offices to city hall with no common staff or consistent perspective. Disagreements over staffing and programs finally led to dissolution of the CETA consortium in 1976 at the recommendation of the U. S. Department of Labor.

Rochester's efforts to influence county allocations take several forms. Consultations between city and county staff members occur on

a regular and informal basis. For example, county Pure Waters capital projects within the city are integrated with city-funded capital improvements.

City officials--both appointed and elected--regularly testify at hearings on the allocation of county funds. City officials invariably stress the importance of Rochester as central city, the disproportionate burdens placed on its citizens and on its shrinking tax base to meet the problems of the disadvantaged, and the county's advantageous fiscal position. For example, in 1974 city officials testified that the county government should allocate part of its general revenue sharing funds to the Rochester model cities program, whose federal funding had decreased. In that case, upon advice of the county attorney, the county legislature rejected the city's request.

On the whole, there is considerable support among civic leaders and government officials for further rearrangement of functional service provision among units within the county. In fact, in 1975 the Greater Rochester Intergovernmental Panel (GRIP) recommended, after several years of study, the formal establishment of a two-tiered government in which the upper tier or central administration would be Monroe County, and the city of Rochester and the existing towns and villages within the county would be the lower tier.¹⁶

Signs of Health

"The Rochester metropolitan area still is manageable," concluded a year-long conference of community leaders in 1971, a time when the city's decline in population and manufacturing jobs were already matters of concern. The conference asserted, in support of its contention of manageability: "Many of the contemporary problems associated with older, northeastern urban-suburban complexes are present here. Yet these indicators of social and physical blight are not so acute or widespread as to defy remedial action. The Greater Rochester Community...is geographically and economically free of domination by other metropolitan complexes. It can, if it will, act to solve its problems."¹⁷

There are signs of economic health. A national business magazine asserted in September 1979 that Eastman Kodak Company, the city's largest employer, "venerable, reclusive, awesomely effective...is looking like a real growth company again. In 1978, after four years of flat earning and a major reorganization of corporate products and processes, sales and profits soared to the highest levels in the company's 99-year history."¹⁸

The outlook for small and medium-size manufacturing companies in the SMSA also appears to be positive. A study of such companies, whose annual sales ranged from \$750,000 to \$25 million, concluded

that their growth in both sales and employment between 1977 and 1979 "demonstrates the vibrancy of the community's economic base, contrary to what is being experienced in other sectors of New York State."¹⁹

The city's position as legal and financial center of the SMSA is strong. Seventy percent of the office space in the area is located in the city's central business district. Office employment in Rochester increased by 12 percent between 1970 and 1975.

In addition, Rochester is the second-ranking convention center in the state. Present hotel facilities in the downtown area are considered adequate--not second-rate as previously mentioned--to support increased convention activity.

A less tangible, but certainly important, indicator of Rochester's potential for survival is its quality of life. A recent study²⁰ ranked Rochester third, behind San Francisco and Minneapolis, in quality of life among fifty large American cities. Rochester was cited for the high availability of cultural, educational, and health facilities.

Rochester's new City Hall, a restored nineteenth-century government building, was dedicated in May 1978. Reflecting a commitment to the past as well as to the future, it is an appropriate symbol of the city's potential for viability in spite of adversity.

II. FEDERAL GRANTS, 1977-1978

Federal grants affecting Rochester in 1977-1978 were received not only by the city government, but also by four other local governmental units--the city school district, Monroe County, the Rochester Housing Authority, and the Rochester-Genesee Regional Transportation Authority. Such grants totaled \$92.9 million in federal allocations for the year. This section discusses the purposes of these grants, how they got to Rochester, and how they were used.

The kinds of services provided to Rochester by the five recipient governments were mirrored in the types of federal aid that flowed to them in 1977-1978. The city government provides fire and police protection, public works, and community development, and shares with the county the task of providing some variable services such as parks and recreation and library service.

The county government assumes sole responsibility for delivery of social services, health care, and sewage disposal for the city's residents. Three special districts--the fiscally dependent city school district, Rochester Housing Authority, and Rochester-Genesee Regional Transportation Authority--provide public education, public housing, and public transportation, respectively. Federal grants allocated in fiscal 1978 to these five governments reflected these divisions of functional responsibility. The two general-purpose governments were allocated the largest grants, in variety of program purposes and in dollar amounts. Together, Rochester and Monroe County accounted for 71 percent of all federal aid allocated to the five governmental units in 1977-1978. The city alone accounted for 50 percent of these allocations.

Allocations and expenditures of federal funds by the five governmental units are listed in table 3. Appendix B explains the factors used to determine the grants included in table 3.

The Federal-Local Route to Rochester

The federal funds reported in table 3 reached the five recipient local governments directly or through the New York State government. Federal grants that passed through the state were Law Enforcement Assistance Administration aid, which went to Rochester and Monroe County; Elementary and Secondary Education Act and child nutrition funds, which went to the city school district; and title XX funds for social services as well as funds for health and Older Americans programs, which went to Monroe County.

Table 3. Federal Grants to Governmental Units in Rochester, 1977-1978
(thousands of dollars)

Category	A Carryover obligations/ allocations from prior fiscal years	B 1978 FY federal obligations/ allocations	C Total federal aid available in 1978	D 1978 expenditures of federal aid funds	E Carry-over obligations/ allocations for future fiscal years
ROCHESTER CITY GOVERNMENT					
<u>Operating Programs</u>					
Antirecession fiscal assistance	0	1,560.7	1,560.7	1,560.7	0
CETA (titles I, III)	b	4,816.9	4,816.9	5,323.1	b
Community development block grant (part)	0	2,740.0	2,740.0	2,740.0	0
General revenue sharing	0	4,077.9	4,077.9	4,077.9	0
LEAA	422.3	868.0	1,290.3	1,026.1	264.2
Public service employment (CETA titles II, VI)	a	12,229.7	12,229.7	8,801.5	a
Subtotal: Operating	422.3	26,293.2	26,715.5	15,608.3	...
<u>Capital Purposes</u>					
Community Development Block Grant (part)	8,808.9	11,200.0	20,008.9	7,185.8	12,823.1

Table 3, Continued

Category	A Carryover obligations/ allocations from prior fiscal years	B 1978 FY federal obligations/ allocations	C Total federal aid available in 1978	D 1978 expenditures of federal aid funds	E Carry-over obligations/ allocations for future fiscal years
Local public works projects	7,143.4	2,336.0	9,479.5	3,724.3	5,755.2
Urban renewal ^b	0	5,156.2	5,156.2	5,156.2	0
Open space and Urban Beautification ^c	0	1,230.2	1,230.2	1,230.2	0
Subtotal: Capital Purposes	15,952.3	19,922.9	35,874.8	17,296.5	...
Subtotal: City Government	16,374.5	46,215.6	62,590.3	32,904.8	...
MONROE COUNTY					
<u>Operating Programs</u>					
Community development block grant	...	107.8	107.8	41.4	66.3
Health	160.2	677.7	837.9	495.0	342.9
Higher education	64.6	638.1	702.6	599.6	103.0
General revenue sharing	0	3,763.2	3,763.2	3,763.2	0

Table 3, Continued

Category	A Carryover obligations/ allocations from prior fiscal years	B 1978 FY federal obligations/ allocations	C Total federal aid available in 1978	D 1978 expenditures of federal aid funds	E Carry-over obligations/ allocations for future fiscal years
LEAA 200.4	56.0		481.7	537.7	337.3
Older Americans 223.3	175.6		680.8	856.5	633.1
Parks	0	37.6	37.6	37.6	0
Title XX	0	6,100.0	6,100.0	6,100.0	0
Subtotal: Operating 935.9	456.4		12,486.9	12,943.3	12,007.2
<u>Capital Purposes</u>					
Environmental Protection Agency wastewater treatment	11,832.2	5,987.1	17,819.2	6,606.8	11,212.4
Local public works projects	0	1,088.0	1,088.0	0	1,088.0
Subtotal: Capital purposes	11,832.2	7,075.1	18,907.2	6,606.8	12,300.4
Subtotal: Monroe County	12,288.6	19,562.0	31,850.5	18,614.0	13,236.3

Table 3, Continued

Category	A Carryover obligations/ allocations from prior fiscal years	B 1978 FY federal obligations/ allocations	C Total federal aid available in 1978	D 1978 expenditures of federal aid funds	E Carry-over obligations/ allocations for future fiscal years
CITY SCHOOL DISTRICT					
<u>Operating Programs</u>					
Adult education	...	277.8	...	173.8	...
Child nutrition	...	2,745.3	...	2,745.3	...
Civil Rights Act	...	85.6	...	60.8	...
Economic Oppor- tunity Act	...	241.8	...	185.1	...
Elementary and Secondary Education Act	...	4,921.4	...	3,583.9	...
Table 3, continued Emergency School Assistance Act	...	1,120.9	...	937.0	...
Impact aid	...	184.5	...	8.5	...
Indian Elementary and Secondary Assistance Act	...	43.3	...	31.2	...
Indochinese Refugee Children Assistance Act	...	18.6	...	15.9	...

Table 3, Continued

Category	A Carryover obligations/ allocations from prior fiscal years	B 1978 FY federal obligations/ allocations	C Total federal aid available in 1978	D 1978 expenditures of federal aid funds	E Carry-over obligations/ allocations for future fiscal years
Vocational Educa- tion Act	...	2,054.5	...	1,040.4	...
Subtotal: City School District	...	11,693.7	...	8,781.9	...
ROCHESTER-GENESEE REGIONAL TRANSPORTATION AUTHORITY					
<u>Operating Programs</u>					
UMTA (Sections 5 & 9)	...	4,511.6	...	4,511.6	...
Subtotal: RGRTA	...	4,511.6	...	4,511.6	...
ROCHESTER HOUSING AUTHORITY					
<u>Operating Programs</u>					
Operating subsidy ^C	1,315.1	4,223.9	5,539	2,721.2	2,817.8
Section 8 housing assistance	410.1	3,283.1	3,693.2	1,226.3	2,466.9
Subtotal: Operating	1,725.2	7,507.0	9,232.2	3,947.5	5,284.7

Table 3, Continued

Category	A Carryover obligations/ allocations from prior fiscal years	B 1978 FY federal obligations/ allocations	C Total federal aid available in 1978	D 1978 expenditures of federal aid funds	E Carry-over obligations/ allocations for future fiscal years
<u>Capital Purposes</u>					
Public housing modernization	0	1,250.0	1,250.0	...	1,250.0
Public housing acquisition	0	2,154.0	2,154.0	1,752.0	402.0
Subtotal: Capital Purposes	0	3,404.0	3,404.0	1,752.0	1,652.0
Subtotal: RHA	1,725.2	10,911.0	12,636.2	5,699.5	6,936.7

... = Data not available

Note: Fiscal years reported as follows: Rochester city government and city school district: July 1, 1977 to June 30, 1978
 Monroe County: January 1, 1977 to December 31, 1978;
 Rochester-Genesee Regional Transportation Authority: April 1, 1977 to March 31, 1978;
 Rochester Housing Authority: October 1, 1977 to September 30, 1978.

- a. Carryover funds are reprogrammed by the Department of Labor and are included in the subsequent year's budget.
- b. For repayment of debt service incurred under formerly active categorical program.
- c. Includes debt service.

The state pass-through route accounted for \$16.5 million in federal aid allocations intended for Rochester in 1977-1978. All other grants reported in Table 3 were allocated directly by the federal government to the designated local governmental units.

Aid to Rochester

Federal aid of more than \$46 million to the Rochester city government in 1977-1978 had a wide range of forms and purposes. Some aid, such as general revenue sharing and block grants for community development and law enforcement, was granted on the basis of a formula and allowed the city to determine how it would use the money. Other aid, such as money for urban renewal, was for specific federally approved uses.

In 1978, Rochester received more federal funds for operating assistance than in any other year. The amount of federal aid for capital purposes in 1978 was second only to that received in 1977.

Between fiscal 1973 and fiscal 1978, federal allocations for operating programs grew sharply each year, from \$7.0 million to \$26.3 million. General revenue sharing and CETA funds were principally responsible for the growth in federal aid between 1973 and 1976. Economic stimulus aid--antirecession fiscal assistance (ARFA) and public service employment (PSE) funds--resulted in very large increases in operating assistance between 1977 and 1978. Allocations for public service employment (CETA titles II and VI) alone increased by almost \$10 million, from \$2.7 million in 1977 to \$12.2 million in 1978.

Federal aid for capital programs also grew during these five years, from \$6.5 million to \$19.9 million. The annual pattern of such allocations was somewhat erratic, however; almost \$51 million in federal capital aid was received in 1977. The fluctuations resulted from an uneven pattern of transferring previously authorized urban renewal aid from federal to local levels. For example, three-fifths (\$31 million) of all urban renewal close-out aid was received in the single year 1977. With the decreased importance of urban renewal aid, community development and local public works funds were the major forms of federal capital assistance in 1978.

The importance of federal aid to Rochester varied according to whether it was for operating purposes or capital programs. As will be demonstrated, Rochester's dependence on federal aid to maintain essential services is greater than its dependence on federal aid for ongoing capital programs. However, such capital assistance has enabled the city to embark on large-scale and innovative development projects that otherwise would not have been possible.

Federal Aid for Operating Purposes

Between 1973 and 1978, federal aid to Rochester for operating purposes almost quadrupled, from \$7 million to \$26.3 million. This growth outpaced the increases in revenues from state, county, and city sources (see table 1). During the same period, federal aid doubled in proportion to each of three important measures--locally raised taxes, all local revenues, and total operating expenditures (see appendix C for an explanation of these measures).

The amount of federal aid Rochester received for operating purposes in 1978 equaled 36.8 percent of the amount raised locally in taxes--up from 13 percent in 1973. Federal aid was equivalent to 25.4 percent of all local revenues--up from 9 percent in 1973. Finally, federal aid was equivalent to 18.1 percent of total operating expenditures in 1978--up from 8.3 percent in 1973.

This increase in federal aid's share of the city's operating budget is not surprising when we remember that inflation is driving up the city's expense while its tax base remains stagnant. The city's dependent position is even more sharply revealed when we examine the functions that these funds supported.

General revenue sharing has long been viewed as essential for maintenance of city services. Rochester's mayor, testifying in 1976 for reenactment of the State and Local Fiscal Assistance Act, stated bluntly that without these funds "city residents would have been faced with even greater tax increases than those actually imposed."²¹ General revenue sharing was allocated entirely to the support of police salaries in 1978. However, as one official noted, this allocation was simply a "display feature." That revenue, the official observed, "could as easily be applied to code inspection or refuse collection; it is needed to support the current level of city services."

Countercyclical funds were also used to maintain current service levels. Almost 75 percent of the \$1.6 million in antirecession fiscal aid was allocated in general support of wages and salaries; the rest was used to finance a police wage settlement that was larger than anticipated.

Forty-three percent of the \$12.2 million for public service employment was retained by the city government to fund 421 positions. Such PSE positions were mainly for clerical, protective, and maintenance services, most of which neither would have nor could have been funded out of local revenues.

The importance of federal aid to operating budgets of city departments varied greatly. The Department of Community Development was most dependent on federal aid, mostly CDBG funds to administer a capital program. The library was least dependent. The following

list shows the proportions of departmental expenditures funded by federal grants for fiscal 1978:

<u>Department</u>	<u>Federal Aid as Percentage of Expenditures</u>
Community Development	66.2
General Administration	46.6
Police	29.4
Buildings and Property Conservation	21.7
Public Works	20.2
Parks and Recreation	14.0
Fire	1.5
Library	1.4

Rochester's dependence on federal funds to maintain city services was dramatically shown when PSE funding dropped from \$12.2 million to \$6.8 million on October 1, 1979. To minimize the impact of the reduction, city officials decided to increase the proportion of PSE-funded jobs assigned to city departments, boosting the city's "share" of the funds from 43 percent to 63 percent. This change, which is scheduled to take effect September 30, 1980, will cut the share of PSE funds going to community-based organizations from 42 percent to 24 percent. Thus, the reduction in PSE funds is expected to have little direct effect on the ability of the city government to deliver public services.

Alternatives to Federal Operating Aid

If federal operating assistance were terminated or greatly reduced, the city would face a dilemma. Reducing expenditures by simply cutting services would not be an acceptable solution. As the city manager indicated in his first post-Waldert budget, the simple option of cuts of \$16 million to comply with Waldert was not seriously entertained.

In talking about cuts of this magnitude, we are not discussing trimming so-called bureaucratic fat. We are talking about massive reductions not only in our ability to provide essential city services, but in our ability to attract and keep business investment which provides jobs and tax dollars and to encourage people to live in our residential neighborhoods.²²

A second alternative, of raising taxes from city sources, is not realistic. In the context of a stagnant property tax base and the Waldert decision, increasing property taxes to compensate for lost federal aid is not feasible. Imposition of city income or payroll taxes could well "aggravate an already extreme situation in New York State which would further jeopardize the state's economic

problems."²³ Shifts to user fees, beyond those already imposed after Waldert, would be a regressive solution, placing most of the burden on lower income persons.

The alternative of transferring additional services to the county government might have some merit, given the history of burden sharing between city and county government. But compensating for lost federal aid would require shifts so large that they would have dramatic political and institutional implications for the future of the city government, perhaps jeopardizing its viability. In addition, given the recent stabilization of the county population and the sensitivity of county legislators to the popular sentiment for cost cutting expressed by California's passage of Proposition 13, it is by no means certain that such large-scale transfers would meet county approval.

Finally, additional New York State assistance would be an alternative for the city to pursue if federal operating aid were terminated. The state has been increasingly sensitive to the fiscal problems of its large cities. It is not likely, however, that state funds could fully compensate for the loss of federal aid.

Federal Capital Grants

Federal aid has contributed a smaller share of Rochester's capital spending than it has for operating services. Rochester is not near its statutory debt limit and its bond market status is strong. LPW funds enabled the city to accelerate its schedule of regular capital improvements, thus avoiding future borrowing. The major importance of federal capital grants, however, is that they have enabled the city to launch new initiatives that otherwise would not have been possible.

Rochester financed its capital projects by various methods in 1978. Small, recurring projects were funded by appropriations to a "cash capital" category in the general fund in the amount of \$4.5 million. New, larger projects from the capital improvement program--dealing mainly with deferred maintenance needs--were financed through issuance of bond anticipation notes totalling \$16.7 million. Finally, the federal government allocated \$19.9 million to Rochester for capital purposes under CDBG, LPW, urban renewal, and open space programs.

At the end of the 1978 fiscal year, Rochester's outstanding long-term debt was \$202.6 million; the city was \$74 million from its statutory debt limit. Thus, if the projects funded by federal aid had instead been financed by the city, the debt contracting margin would still have been large. But even though the city would be able to borrow money, and even though debt service costs are excluded from the state constitutional limit upheld by Waldert, local officials believe that the property tax increases would make it more difficult to retain jobs and population.

Rochester's practice in recent years has been to issue bond anticipation notes to raise revenue for new capital projects. When market conditions are favorable, the short-term notes are later converted into long-term bonds. No principal is repaid during the first year that the notes are issued, and debt service for that year includes only interest charges (see appendix D for a full discussion). If Rochester had used bond anticipation notes to replace the \$19.9 million in capital aid allocated to Rochester from the federal government in 1978, the resulting debt service would have required increases of \$1.10 per thousand dollars of assessed valuation in the property tax rate. To replace the \$35.9 million in aid actually available, counting carryovers from previous years, would have required a property tax increase of \$1.99. Such increases would not have been feasible from the perspective of local officials, and it is highly unlikely that Rochester would have replaced all--or even a large part--of these federal capital funds.

Capital Innovation

Although Rochester is less fiscally dependent on capital than on operating grants, federal aid has long been important for the initiation of innovative projects. These are the large-scale planned development projects funded first by urban renewal grants and later by the CDBG funds and the capital programs that Rochester otherwise could not have undertaken because of state constitutional prohibitions or longstanding city policies.

Federal reimbursement of urban renewal projects was widely viewed as the indispensable incentive for Rochester's massive urban revitalization effort begun in the 1960s. In 1978, the city's reliance on CDBG funds for an ambitious neighborhood capital improvement program was similarly acknowledged. The commissioner of community development, testifying before Congress for adoption of a CDBG dual allocation formula,²⁴ argued that Rochester's "major problem is the availability of funds for community development purposes. Rochester could effectively utilize several times the annual appropriations presently available."²⁵

The New York State constitution prohibits the use of municipal revenues as gifts to individuals--for example, as loans for rehabilitation of private property. In the case of the CDBG funds the constitutional prohibition was circumvented. Recognizing the potential of these federal funds to stimulate private investment in housing rehabilitation and economic development, the state comptroller ruled in 1974 that governments that receive CDBG funds are merely "conduits of federal aid." Thus, the block grant money remains federal, and is not transformed into municipal revenues subject to the constitutional prohibition. Nine hundred homes in Rochester were rehabilitated in 1978 through the use of more than \$2 million of CDBG funds in the form of grants and loan subsidies to eligible homeowners.

The city's longstanding policy has been to hold individual property owners responsible for the costs of sidewalk maintenance. In practice, sidewalk repair has lagged because of the city government was reluctant either to create any further incentives for tax delinquency or housing abandonment by property owners, or to use local revenues for sidewalk maintenance. Federal capital funds, commented to one official, "finally resolved a major internal policy dispute on how to deal with miles of deteriorating sidewalks in the city." Community development funds were used to replace sidewalks in the city's low- and moderate-income census tracts, and LPW funds were used to repair hazardous sidewalks in other areas of the city--all at no cost to property owners.

Federal Aid to Other Governments

Rochester's dependence on federal funds was indirectly reinforced by federal aid channeled to city residents by the county government, the city school district, and the housing and transportation authorities. Federal grants to these units accounted for almost half of the \$92.9 million in allocations shown in table 3. These funds facilitated the delivery of numerous services essential to urban life.

Monroe County. The federal government allocated \$59.7 million (excluding income-transfer payments) to Monroe County during the county's 1977 fiscal year. Of this total, \$20 million was intended for Rochester's residents. (See appendix B for a discussion of the bases for assignment of these federal grants to Rochester.)

Although almost one-third of the \$20 million was for a single wastewater treatment capital program, federal aid funded a broad range of programs, including categorical grants for health, parks, and education; block grants for law enforcement and community development; and general revenue sharing.

The county's dependence on federal aid to provide services to Rochester can be demonstrated in several ways. First, these federal funds for operating purposes (see table 3) equaled 23 percent of all county operating funds budgeted for Rochester in 1977. Second, federal aid provided much of the money needed to provide the services to Rochester residents for which the county government assumed sole local responsibility. For example, 75 percent of the costs of social services for Rochester residents (excluding the income transfer programs) were provided by title XX funds. Federal aid provided 45 percent of the costs of the rodent control program and all of the costs of the lead poisoning control program.

Dependence on federal aid also extended to capital programs. The Monroe County Pure Waters Agency, a division of the county government, operates sewers, pump stations, and wastewater treatment plants for six sewer districts within the county, including the

Rochester Pure Waters District. Seventy-five percent (\$6 million) of the funds for construction of wastewater storage conveyance tunnels within the Rochester Pure Waters District was allocated by the federal Environmental Protection Agency.

Federal aid has made it easier for the county to play its role as service provider for the city. The county manager, testifying before the Congress in 1975 for renewal of the State and Local Fiscal Assistance Act, stressed the importance in this regard of general revenue sharing. "The county of Monroe," he said, "would not have been able to assume the solid waste disposal function (from the city)...and there would have been a reduction of county human and physical services."²⁶

The active and successful pursuit of other federal grants by the county government for Rochester residents indicates the continuing importance of aid from Washington in the county's burden-sharing activities.

School District. The Rochester City School District, a special district encompassing the entire city and fiscally dependent on the city government, received almost \$12 million of federal funds in 1977-1978.

All of the federal funds for education reported in table 3 were categorical grants for operating purposes; no federal funds were available for capital projects. The largest amounts were provided through the Elementary and Secondary Education Act, the child nutrition program, and the Vocational Education Act.

The grants to the school district reflected federal recognition of the special needs of children in cities and the special costs incurred in meeting those needs. While the school population in Rochester decreased by 20 percent from 1970 to 1978, the population of black and Hispanic children increased from 33 to 53 percent of the district pupil population in 1978.

With the exception of child nutrition funds, 20 percent of which subsidized lunches for the entire pupil population, the federal grants were intended for students who, because of cultural, income, or physical disadvantages needed remedial instruction or special services or both. The largest single grant to the district (\$3.7 million) was under title I of the Elementary and Secondary Education Act for programs in reading, mathematics, and bilingual education carried out in city schools located in lower income census tracts with high proportions of nonwhite students.

Because the school district is fiscally dependent upon the city government, it is also subject to the state constitutional limitation on property taxation. In response to the Waldert decision, the school board eliminated from its 1978-1979 budget all

prekindergarten and elementary school librarian positions. Paradoxically, the school district regards federal funds as supplemental to its regular instructional program, even though such funds were equivalent to 8.1 percent of the district's total 1977-1978 operating expenditures. In reality, the school district heavily depends on these funds to provide educational services to a large number of disadvantaged children in the system.

Mass Transit. The Rochester-Genesee Regional Transportation Authority (RGRTA), a regional agency, is the designated recipient for federal mass transit funds for a four-county area. During the authority's 1977-1978 fiscal year, federal funds intended for Rochester were allocated under sections 5 and 9 of the Urban Mass Transportation Act (UMTA). Of the \$4.5 million allocated to Rochester for mass transit, the largest portion--\$3.8 million of section 5 funds--subsidized the operating deficit of the Regional Transit Service, Rochester's bus system. The rest was allocated for planning studies of traffic circulation in Rochester's central business district and for city street improvements.

Contributions from Monroe County and the state composed almost half of the bus system's deficit subsidy. The remaining funds, almost \$1.5 million to match the section 5 contribution, were allocated from the capital reserve of the RGRTA.

No funds for capital programs under section 3 of UMTA were allocated to RGRTA in 1977-1978. Application for communications equipment, new buses, and bus shelters were pending at the end of the authority's fiscal year.

In consequence, and because of the use of the capital reserve to attract section 5 funds to sustain the operation of the transit service, no capital funds were available for local mass transit during the fiscal year.

Public Housing. Almost \$11 million of federal funds for housing assistance to Rochester residents was allocated to the Rochester Housing Authority (RHA), an independent municipal corporation, in 1977-1978.

Housing funds were allocated for subsidizing the operation and debt service of public housing units, for acquiring additional units and modernizing those already in the RHA inventory, and for rental subsidies.

Of the five governmental units that receive federal aid for the city of Rochester, the housing authority was the most dependent on federal funds. Except for \$1.8 million generated in rental income for administration of its 2,411 public housing units, all revenues supporting the operations of the RHA came from the federal government. In addition, RHA was the sole administrative agency for

\$3.3 million of section 8 "existing housing" rental subsidy funds for over one thousand units in the city.

Summary

The importance of federal grants to Rochester increased greatly during the 1970s. Aid for operating programs helped the city struggle with increasing public service costs and decreasing local resources. While the city's property tax rate continued to climb during the decade, there is no doubt that it would have climbed higher if not for federal grants, especially general revenue sharing and antirecession fiscal assistance.

Rochester's dependence on federal operating assistance was no more clearly revealed than in the government's decision to increase its share of PSE funds so as to continue CETA public service employment in city hall.

The city's dependence on capital aid was more programmatic than fiscal. LPW funds enabled Rochester to avoid future borrowing for reconstruction of bridges and streets, but the more important effect of the capital grants was to allow the city to press ahead with large-scale planned neighborhood revitalization and sidewalk repair programs. Neither would have occurred otherwise because of legal or historical obstacles.

Federal aid to other public agencies operating within the city of Rochester indirectly reinforced the city's reliance on the national government. These agencies differed from each other in terms of their reliance of federal aid for agency operations. However, services to Rochester residents in many fields--social services, health, housing, education, and transportation--would have been adversely affected without these grants.

Even though federal aid increased for services and for capital projects during the 1970s, by the end of the decade Rochester faced even greater problems of declining jobs and population, housing abandonment, and property tax stagnation. Despite their limited ability to relieve Rochester's fundamental fiscal problems, federal funds did have noteworthy employment, social, and political effects. These are the objects of analysis in the next sections.

III. EMPLOYMENT EFFECTS

The same year that saw the flow of millions of federal dollars to Rochester was also marked by improved employment opportunities for area residents. This section discusses to what extent federal funds contributed to the expansion of jobs in both public and private sectors, and to the decreases in numbers of unemployed persons and those receiving public assistance during the year. The chapter first describes federal contributions for direct personnel costs in the city government, then analyzes the relative effectiveness of LPW and PSE funds in stimulating the local economy.

The New York State Department of Labor estimated that 313,500 Monroe County residents were employed during June 1978--a slight increase (0.5 percent) in total county employment over June 1977. At the same time that employment was increasing, the rate of unemployment in the county was decreasing, from 6.6 percent to 5 percent.

Employment opportunities also improved over the twelve-month period. In June 1978, 130,600 city residents held jobs--up from 129,000 the previous June. Although the unemployment rate in Rochester remained higher than the rate for county residents as a whole throughout the year, the city rate declined from 8.9 percent in June 1977 to 6.8 percent in June 1978. The improvement in local employment opportunities for Rochester residents was also reflected in decreased numbers of public assistance recipients during 1977 and 1978. Twenty-five thousand Rochester residents received Aid to Families with Dependent Children (AFDC) or Home Relief²⁷ in June 1978--down by 11 percent, or 3,000 persons, from June 1977.

These estimates of employment, unemployment, and public assistance were calculated on the basis of place of residence. Data based on place of employment confirm the reported trend of improvement in employment. Within Monroe County, nonagricultural employment²⁸ increased during 1977-1978 by about 5,000 jobs, reaching an estimated 327,500 in June 1978. The total number of jobs in the county still remained below the highest prerecession level of 331,000, reached in October 1974. However, local economists were confident that by June 1978 the local economy had almost completely recovered from the 1975 recession.

Job opportunities also improved over the year within private, public, and nonprofit sectors of the local economy. Government jobs within the county were estimated to have grown by 1,800 positions between June 1977 and June 1978. However, the expansion was limited

entirely to CETA-funded positions. Within the city government, the number of permanent positions was actually down by 5 percent from fiscal 1977, continuing a trend begun in fiscal 1974. In 1974, there were almost 4,000 permanent positions within the city government; by the end of fiscal 1978, there were 3,300.

Jobs in service occupations within the county increased by about 900 during the 1977-1978 period. Much of the expansion occurred in nonprofit agencies, largely because of the availability of PSE funds. Within the private sector, manufacturing jobs and those in wholesale and retail trades also increased, each by about 1,500 positions.

Because of limited data, we cannot make more precise comparisons of employment expansion, unemployment, and public assistance decreases. For example, decreases in unemployment cannot be shown for specific types of job skills and traced to job expansion within the private sector. Neither can we directly test an alternative explanation for the decreased number of public assistance recipients. That explanation suggests that migration of people out of the city and county included poor people seeking job opportunities or welfare benefits in southern and western states.²⁹

The contribution of federal funds to improvements in the local economy is our major concern here. We first discuss the extent to which federal funds directly supported local employment.

Federal Aid to Support Jobs

The Rochester city government had about 3,700 permanent and CETA employees in 1978. Spending for personnel compensation--wages, salaries, and benefits--constituted about 60 percent of total city government operating expenditures.

Because federal operating aid was commingled with locally derived revenues, as in the ARFA appropriations, or was a budgetary "display feature," as in GRS appropriations, it is not possible to determine the total number of federally funded positions in the Rochester city government in 1978. We can, however, identify the number of PSE positions, which, at the midpoint of the fiscal year, stood at 421.

The importance of federal aid for city employment is clear, even though there are no precise data linking federal funds to local government positions. By using unrestricted operating aid such as general revenue sharing and antirecession fiscal assistance, Rochester was able to avoid increasing taxes even higher to maintain city employment, albeit at reduced levels. And it was able to prevent even greater decreases in numbers of permanent city employees. If we assume that GRS and ARFA funds supported personnel costs to the same extent as did all operating revenues, we can estimate that these operating grants supported 128 permanent employees.

Even though the city's permanent work force was 17.5 percent smaller in 1978 than it was in 1973, Rochester avoided sharp cutbacks in services by increasing its use of federally funded workers. In 1973, the city employed 238 workers funded under the Public Employment Program (PEP), the predecessor of PSE; this number equalled 6 percent of the number of permanent city employees at the time. By 1978, Rochester was employing 421 PSE workers, equal to 13 percent of the permanent work force.

Positions outside of the city government were also supported with federal funds. As of December 31, 1977--the midpoint of the fiscal year--CETA funds for public service employment had been allocated to the city school district for 73 positions; to other governmental agencies for 74 positions; and to nonprofit community-based organizations for 412 positions.

Local public works (LPW) funds in excess of \$10 million, allocated directly from Washington to the city government, were also a source of direct support for local employment. As is elaborated later, it is not possible to pinpoint the number of jobs supported by the LPW funds because of variations in intensity of labor and materials and hiring rates among the several LPW construction projects. At least half of the \$11 million in LPW funds, however, directly supported construction jobs in the private sector.

The Effects of PSE and LPW Stimulus Grants

During fiscal 1978, the city and county governments mounted projects with economic stimulus funds whose net effect was to enhance employment in Rochester. The employment effects of the PSE and LPW grants, however, were not uniform. There were noteworthy differences in the nature of jobs created and the rates at which they were filled. Such differences were caused in part by differences in goals and requirements of the federal programs themselves, and in part by the diverse nature of the local projects chosen for funding under the same program.

Economic stimulus funds in excess of \$22 million from the public service employment (CETA, titles II and VI) and local public works (rounds 1 and 2) programs were made available to the Rochester city government to stimulate the local economy. In addition, the county government was awarded \$1.1 million of round 2 LPW funds to spend on projects within the city. By June 30, 1978, the city government had spent over half of these ESP funds, while the county government's LPW projects were all well underway during the summer of 1978.³⁰ Table 4 lists the amounts of ESP funds by CETA title and individual LPW projects.

The differences between the PSE and LPW programs fall in several categories--objectives, bases of project selection, administration, type of projects funded, and rate of job creation. We will discuss each of these briefly.

Table 4. Public Service Employment and Local Public Works Grants,
City and County Governments, Fiscal 1978

Federal Grant	Amount Allocated (thousands of dollars)	Recipient Government
<u>CETA, Title II</u>	2,209.2	City
<u>CETA, Title VI</u>	10,020.5	City
Subtotal	12,229.7	
<u>LPW, round 1</u>		
Library terrace reconstruction	402.0	City
Bridge demolition and street reconstruction	1,904.5	City
Reconstruction of Broad Street and tunnel	5,000.0	City
Subtotal	7,306.5	
<u>LPW, round 2</u>		
Sidewalk reconstruction	2,336.0	City
School district running tracks	342.0	City
Construction of two parks maintenance buildings	300.0	County
Replacement of sewer catch basins	366.0	County
Park improvements	70.0	County
Replacement of sewer lines	352.0	County
Subtotal	3,766.0	

Program Objectives and Bases of Project Selection

According to the city's budget document for fiscal 1978, local public works funds enabled Rochester "to accelerate several projects which are part of the large backlog of work needed to reconstruct streets, bridges and other important public facilities."³¹ The projects awarded to the city government (see Table 4) were all regarded as important components of a large-scale program of rehabilitation and reconstruction of Rochester's aging infrastructure. The four LPW projects awarded to the county government, particularly those for replacement of sewers, were also improvements to Rochester's old capital stock. LPW projects were also viewed as useful in avoiding future borrowing, with its attendant debt service costs and property tax implications.

PSE funds, by contrast, were primarily aimed at providing immediate employment opportunities for unskilled and needy persons. Projects most favored for funding, using the city's selection criteria, were those providing a high proportion of jobs for unskilled persons, with benefits lasting more than a year after project completion, and with high public visibility. Most of the projects meeting these criteria involved maintenance of city sidewalks, parks, streets and public buildings. This maintenance had previously been deferred, and would not have been undertaken in the absence of the federal funds. The major accomplishments of the PSE funds, however, were to expand Rochester's public employment opportunities from a prestimulus level of 238 jobs to a maximum of 1,350 positions, and in so doing, to reduce pressures on locally derived revenues to finance the delivery of city services.

Administration of Funds

Another distinction between public works and public employment programs involves contractual arrangements to carry out the programs at the local level. The city and county governments, after competitive bidding processes, contracted with private construction companies to carry out the LPW projects. Prime contractors assumed responsibility for the recruitment of subcontractors, if necessary, to perform specialized tasks. Except for a very small proportion of the total LPW grant retained by the government for some administrative costs--such as design, engineering, and inspection services--LPW funds were entirely administered by the private general contractors. Allocations to the private sector of the individual LPW grants ranged from 85 percent to 96 percent of the total grants; these estimates were determined by calculating contract awards as proportions of total grant amounts.

Public service employment funds, on the other hand, were retained totally within the governmental and nonprofit sectors. As of December 31, 1977, the distribution of PSE funds for personnel costs among the sectors was estimated as follows:

City of Rochester: 43 percent
Other local governments: 14 percent
Nongovernmental, nonprofit agencies: 43 percent

The prevailing arrangement between the city government and other governmental and nongovernmental agencies was subcontracting. PSE participants of the city government were not outstationed to work for other organizations.

Labor versus Capital Intensity

The distribution of total project costs between those associated with labor--wages, salaries, and fringe benefits--and those associated with materials shows the relative intensity of labor and capital. As stated above, at least 90 percent of PSE funds went directly to support labor costs. For the LPW funds, the labor/materials ratio varied from project to project. For example, costs of materials for the reconstruction of Broad Street and its tunnel and for the construction of the two parks maintenance buildings were estimated at 66 and 71 percent, respectively, of total contract awards. These were highly capital-intensive projects. For the sidewalk reconstruction and sewer catch basin replacement projects, on the other hand, labor costs were estimated at 67 and 63 percent, respectively, of total awards. These were highly labor-intensive projects. For other LPW projects listed on table 4, costs of labor were estimated to be nearly equal to costs of materials. Thus, in the aggregate, Rochester's public service employment projects were highly labor intensive, and its LPW projects were a mix of capital-intensive and labor-intensive activities.

Creating the Jobs

The rates at which jobs were actually created with the PSE and LPW funds were affected by factors specific to the projects themselves--the kinds of skills needed, the normal sequence of work, the weather--and federal requirements, especially those relating to minority business participation.

Jobs that were created in Rochester called for skills in all occupational categories. The range of categories for LPW projects was narrower than for PSE positions, in that 98 percent of all LPW construction workers were categorized as craft, operative, or laborer. PSE jobs were created in many more occupational categories, but craft, clerical, and laborer jobs accounted for two-thirds of the jobs.

Hiring under the PSE program, on the whole, was accomplished in a steady fashion and on schedule. The city moved from its prestimulus level of 238 positions in April 1977 to 1,350 positions in February 1978, a level which it expected to maintain through

September 30. The city added new PSE workers at an average rate of 150 monthly from May to August 1977; 50 monthly from September to November 1977; and 100 monthly from December to February 1978.

The city's Office of Manpower developed several creative approaches to expedite the filling of positions, including a job fair held at the Community War Memorial. Agencies with PSE openings came to the job fair to interview certified applicants recruited by the New York State Employment Service. In addition, the city government decentralized part of the process by contracting first with the Community Chest and later with the Urban League to process applications from nonprofit agencies. As of June 30, 1978, more than 90 percent of the authorized PSE positions had been filled. Vacancies in authorized positions were due to lack of eligible applicants with specific skills, such as school nurse aides, or high turnover in certain positions, such as laborers and security guards.

The creation of LPW jobs was erratic, as hiring associated with general construction often is. This pattern is related to the need for specific skills and to the climate. For example, on the \$5 million Broad Street and tunnel reconstruction project, not only did the total number of jobs fluctuate from month to month, but variations occurred within the various construction categories each month (see table 5). For example, ironworkers were needed for only the month of September on this project. Carpenters, operating engineers, truck drivers, and laborers, on the other hand, were employed during each month of the project. No one worked during February because Rochester winters prevent outdoor construction work. Similar erratic job creation patterns were found for all of the other LPW projects.

Table 5. Pattern of Employment, Broad Street and Tunnel Reconstruction LPW Project, April 1977 through May 1978

Job Category	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May
Foreman	1	1	1	1	1	1	1	1	1	1	0	1	1	1
Carpenter	2	2	8	6	8	6	8	10	5	2	0	5	7	8
Electrician	0	9	0	2	10	4	5	3	4	4	0	5	4	4
Ironworker	0	0	0	0	0	13	0	0	0	0	0	0	0	0
Roofer	0	0	0	6	6	6	8	9	11	0	0	0	6	5
Mason	0	0	0	0	1	3	2	3	2	1	0	0	3	3
Operating engineer	4	5	7	8	6	7	6	7	6	3	0	7	9	6
Truck driver	1	1	2	2	1	2	2	2	2	1	0	1	3	2
Laborer	5	14	18	25	33	36	32	28	25	7	0	24	40	36
Total jobs per month	13	32	36	49	65	77	64	63	56	18	0	43	73	65

Source: Rochester City Government, Department of Engineering and Maintenance.

There was considerable variation in the duration of the jobs created with LPW funds, as shown in the following table. Figures for the average number of jobs per month tend to mask the monthly hiring variations that we have just discussed.

<u>LPW project</u>	<u>Average number of jobs per month</u>	<u>Project duration</u>
Library terrace reconstruction	136	6 months
Street and tunnel reconstruction	50	27 months
Sidewalk replacement	8-10	12 months
Parks maintenance building construction	18-20	3.5 months
Sewer catch basin replacements	8	8 months

Contractual arrangements between public and private sectors also differed among the LPW projects. The differences indicated sensitivity by local governments to local labor supply factors and to federal requirements. With one exception, total awards were made after competitive bidding to single general contractors for each project. For \$2.3 million in sidewalk projects, contracts were awarded sequentially, in October 1977, May 1978, and August 1978, in batches of eight contracts each. Half of the contracts were large, averaging \$95,000; half were small, averaging less than \$55,000. The sequential timing was undertaken to cope with the improved situation of the local construction industry. By the summer of 1978, demand for equipment operators, concrete finishers, and skilled laborers was very heavy. Local officials attributed the demand for these skills to expressway projects in Monroe County. These projects, estimated to cost over \$200 million, were financed mainly by federal highway funds allocated to the state, supplemented by state and county revenues.

In addition, the city government used the sequential bid-letting approach to comply with LPW round 2 guidelines for minority business participation. This approach minimized the demand for a limited labor supply, maximized the participation of the few local minority paving firms, and enabled the city to exceed the 10 percent minority participation requirement for the LPW sidewalk reconstruction project.

Federal Aid, City Government Jobs, and the Improved Local Economy

Federal funds supported jobs in the public, nonprofit, and private sectors during 1977-1978. To what extent did they

contribute to decreased public-sector employment and the improved local economy?

Rochester reduced the number of its permanent city workers by 700 between 1973 and 1978 in response to mounting operating costs and a contracting property tax base. Federal aid allowed the city to reduce its work force at a slower rate than might otherwise have been necessary. The most important source of aid in this regard was general revenue sharing, which was unrestricted and could be used to substitute for shrinking property tax revenues.

Federal aid under CETA also allowed the city to allocate more than 400 PSE positions to community-based organizations. Although employment data lump together all service jobs, whether in private firms or nonprofit agencies, it is likely that these PSE jobs contributed to an expansion of jobs in services occupations.

Finally, federal aid supported private-sector jobs for construction of public works. This is not reflected in employment data collected by New York State for changes in the construction sector during 1977-1978, which indicate a decline of about 500 construction jobs over the year. In view of the LPW-funded projects and the large volume of state and county road construction work, the employment data are baffling. The explanation may rest in the combination of homebuilding and general construction positions into the "construction" category. The homebuilding industry was in decline in June 1978, while the general construction industry was "booming." Or the disparity may result from a time lag in collection of employment data by the New York State Department of Labor.

At any rate, the consensus of local labor economists, government officials, and persons associated with the general construction industry was that employment opportunities in general construction had improved considerably over the 1977-1978 period, and that federal aid--highway funds allocated the New York State government as well as LPW funds to city and county governments--was an important contributing factor.

IV. PROGRAM BENEFITS

Given the many and varied kinds of federal grants that affected Rochester in 1978, who were the local beneficiaries? Some grants, such as child nutrition, CETA, and title XX, were intended to alleviate the human needs of poor, educationally disadvantaged, and unemployed persons. Other grants, such as general revenue sharing and local public works, were designed to assist the city generally in dealing with its current operating and capital programs. Other grants, principally community development block grants, contained a mixture of targeting and communitywide elements, to both directly assist lower income groups and to benefit the community at large. Who benefited from the aid sent to Rochester from Washington? The question is deceptively simple; the answer is not. Nor is the process of arriving at an answer simple or straightforward.

The assessment of benefits flowing from federal aid appears to generate precise information. In fact, analyzing benefits requires us to join objective data, such as residence of service users and location of projects--where such data exist--with the judgments of seasoned observers. The reader should keep this caveat in mind as we present our assessment of the distribution of benefits in Rochester from federally funded programs.

We will identify program beneficiaries according to three classifications: income, minority status, and neighborhood. As is the general case for American cities, these variables are not independent of each other in Rochester. That is, the higher the income level, the higher the degree of neighborhood stability, and the greater the proportion of white residents. Program benefits for poor persons, thus, are likely to represent at the same time benefits to nonwhite persons living in blighted or transitional neighborhoods in Rochester. In this analysis, each variable is treated separately, with greatest attention given to the distribution of benefits from the various federal programs to income groups within the city of Rochester.

As program purposes differ, so do the types of benefits that result. Here, five different types of benefits are identified. These primary, direct benefits of the programs funded with federal grants are:

1. Housing. For example, loans and grants for housing rehabilitation and public housing modernization funds are classified as housing benefits.

2. Services. School lunch subsidies, enriched reading programs, and lead paint detection projects are considered services benefits.

3. Environment. Reconstruction of sewer lines and bridges and repair of sidewalks are categorized as benefits to the environment.

4. Economic development. Commercial rehabilitation subsidies and construction of new sewers for development of an industrial park are economic development benefits.

5. Jobs. The primary, direct benefits of CETA-funded programs are jobs.

Most programs involve one readily identifiable kind of benefit, as implied in these definitions. Some, most notably CDBG, generate multiple benefits. Even where the program benefits are principally of one type, as in public housing modernization, other benefits, such as jobs for city contractors, may also accrue. Hence, city residents may benefit indirectly as well as directly from federal aid. We do not deal with indirect, secondary benefits, however.

Benefits to Income Groups

The principal, direct beneficiaries of federal aid to Rochester and other agencies operating within the city were low- and moderate-income families. These residents, who constituted 36 percent of the city's 1970 population, received 64 percent of the benefits from federal programs (excluding nonallocable funds), as shown in table 6. Benefits to middle- and high-income groups were 18 percent and 17 percent, respectively (see appendix E for method of allocating benefits). The distribution of benefits to income groups was not attempted for GRS and ARFA because these funds cannot be identified separately from locally derived revenues. Because of insufficient data, we also cannot apportion several small grants received by the city school district.³²

Services

The benefits to lower income groups were principally of three types--services, jobs, and housing. Federal grants that generated services benefits contained income eligibility requirements geared toward low- and moderate-income persons. ESEA, child nutrition, public health, and title XX grants specifically mandated the targeting of funds for poor participants. For these grants, lower income groups received an average of 87 percent of the benefits. Lower income groups also benefited from grants where the requirements were less stringent. For example, income eligibility requirements do not extend to all titles of Older Americans assistance. Yet, because of the decision of the county government to locate Older Americans nutrition centers in city neighborhoods where the elderly poor are concentrated and to link the delivery of other services funded by the grant to the nutrition centers, lower income elderly persons derived over 62 percent of the benefits of Older Americans aid.

Table 6. Federal Program Benefits by Income Groups, Fiscal Year 1978

Program	Expenditures (thousands of dollars)	Proportion of Benefits to Income Categories ^a				Type of Benefit
		I	II	III	IV	
CETA, Title I	4,232.6	- 63.2	-	36.8	0	Jobs
CETA, Title II	1,453.0	- 62.1	-	37.9	0	Jobs
CETA, Title III	1,091.5	- 100.0	-	0	0	Jobs
CETA, Title VI	7,348.5	- 86.5	-	13.5	0	Jobs
Child Nutrition	2,745.5	41.5	41.3	10.1	7.0	Services
CDBG	10,012.6	42.8	25.3	15.6	16.2	Multiple
Emergency School Aid	937.0	24.8	20.4	24	30.8	Services
EPA	6,606.8	18.2	17.6	28.3	35.9	Environment/ Economic Dev.
ESEA	3,583.9	24.8	20.4	24.0	30.8	Services
Health	495.0	50.0	50.0			Services
Higher Education	599.6	18.2	17.6	28.3	35.9	Services
Housing						
Public Housing Operating Subsidy	2,721.2	100.0				Housing
Public Housing Modernization Acquisition	1,752.0	100.0				Housing
Section 8	1,226.3	86.9	14.1			Housing

Table 6, continued

Program	Expenditures (thousands of dollars)	Proportion of Benefits to Income Categories				Type of Benefit
		I	II	III	IV	
LEAA	1,026.1	18.2	17.6	28.3	35.9	Services
LPW	4,812.3	18.2	17.6	28.3	35.9	Environment
Older Americans	633.1	52.2	10.3	16.5	21.	Services
Open Space	1,203.2	18.2	17.6	28.3	35.9	Environment
Title XX	6,100.0	55.0	45.0			Services
UMTA	4,511.6	23.8	28.8	19.4	27.9	Services
Urban Renewal	5,256.2	18.2	17.6	28.3	35.9	Economic Dev.
Vocational Education	1,040.4	18.2	17.6	28.3	35.9	Services
Total	69,725.7	- 64.1 -				18.2 17.2

a. Income categories:

- I. Low income -- 50 percent or less of city median income.
- II. Moderate income -- 51 percent to 80 percent of median.
- III. Middle income -- 81 percent to 120 percent of median.
- IV. High income -- 121 percent or more of median.

The federal grants that generated these services for low- and moderate-income groups were administered by the county government and the city school district. These two governmental units are dependent on such aid for the provision of services ranging from child care to lead paint detection to classes for the educationally disadvantaged. This analysis of the beneficiaries of those services makes it clear that the dependence involves lower income groups.

Jobs

Low- and moderate-income persons also benefited heavily from jobs created by CETA funds. Title I (training) funds created jobs for almost 2,000 persons, 63 percent of whom were categorized as economically disadvantaged. Almost 1,400 jobs were funded under the public service titles (II and VI). Sixty-two percent of title II participants and 87 percent of title VI participants were economically disadvantaged. Over 1,500 summer employment positions under title II went exclusively to economically disadvantaged city youths.

All of these CETA positions, by legislative mandate and administrative regulation, were temporary; their duration ranged from seven weeks for summer youth employment to twelve or eighteen months for the PSE slots. The CETA regulations also address themselves to the longer range purpose of public employment as transition to unsubsidized employment.

Before the Carter administration's economic stimulus package in 1977 expanded the amount of PSE funds available, the city government was able to help 40 percent of the PSE employees find unsubsidized jobs in the public and private sectors. The experience with transition to unsubsidized jobs under titles II and VI since expansion was less successful. The rate of direct unsubsidized employment as of June 30, 1978 was 27 percent. This should not be interpreted to mean that 73 percent of the former PSE jobholders were unemployed upon termination. When other "positive" activities are included--such as attending school or other manpower programs or serving in the armed forces--the proportions of persons classified as "positive termination" rises to 77 percent for former title II workers and 46 percent for former title VI employees. But Rochester has clearly not met the goals stated in the regulations of placing 50 percent of PSE participants in unsubsidized employment. Thus the dependence of the city government on CETA public service employees to maintain city services in fiscal 1978 had a second dimension, the direct dependence of lower income persons on these funds for jobs.

Housing

Housing benefits, which went almost entirely to lower income groups, were derived from three types of programs. These were public housing, rental subsidies under section 8, and housing rehabilitation. Public housing programs, which benefited

exclusively low-income persons, as well as rental subsidy assistance programs were administered by the Rochester Housing Authority. The city in fiscal 1978 had 1,900 federally assisted public housing units, as well as section 8 existing housing subsidies for 900 rental units within the city. Thus 2,800 lower income households were the direct beneficiaries of federal housing programs.

Housing rehabilitation programs funded by the community development block grant (CDBG) program were another important source of housing benefits for lower income persons. The importance of rehabilitation of the city's housing stock was stated in the application for CDBG funds:

Rochester has an old housing stock, with half of its census tracts having a median age in excess of 60 years. Based upon structural feasibility, it is estimated that nearly 85 percent of the city's housing stock is suitable for rehabilitation.³³

More than half of Rochester's housing units are occupied by single families who own their homes. Rehabilitation of owner-occupied homes is a high priority for community development, and is closely linked to the goal of preserving neighborhoods. Fourteen percent of the 1977-1978 CDBG expenditures went for housing, mainly for housing rehabilitation loans and grants. Grants of up to \$3,500 went to 900 eligible low-income homeowners throughout the city. Loans were made available to moderate-income homeowners through local banks. CDBG funds subsidized 35 percent of the principal of these loans, to a maximum loan amount of \$5,000.

The three-year (1978-1981) Housing Assistance Plan--a component of the application for CDBG funds--states that more than 19,500 lower income families in Rochester will be in need of housing assistance. The intention of the city to continue the CDBG-funded housing rehabilitation program, and to seek additional section 8 rental assistance as well as substantial rehabilitation funds, indicates that federal aid is viewed as the key to success of Rochester's housing goals.

Thus, Rochester's dependence on federal aid for innovative capital projects, of which housing rehabilitation is an important example, was also directly pertinent to lower income persons.

Environmental Improvement

Benefits to higher income groups derived principally from programs with implications for the community as a whole. Capital grants for environmental improvement and economic development generated benefits for all income groups in proportion to their share of the total population.

Capital projects for reconstruction of Rochester's sidewalks, bridges, streets, and sewers were classified in this way. These

projects were an important part of the city's strategy for preserving neighborhoods and retaining jobs. Rochester's goal of upgrading and stabilizing city neighborhoods includes the improvement of the city's streets and utilities. The reconstruction of streets and sidewalks in many city neighborhoods was facilitated by the availability of LPW and CDBG funds, and helped the city to move towards its neighborhood preservation goal.

Although LPW, CDBG, and EPA capital projects were designed mainly to improve the environment, they also generated jobs. Improved sewerage capacity and rebuilt streets and bridges were themselves viewed as inducements for business to remain in Rochester. Additionally, because these benefits resulted from federal capital grants, eliminating the need for future capital borrowing, there was a tax stabilization incentive as well for the retention of jobs.

Economic Development

Economic development is a benefit derived from past urban renewal and current CDBG expenditures. The central business district is estimated to be 70 percent renewed, in large part because of urban renewal projects carried out in the 1960s. Current plans to revitalize the retail center of the central business district include construction of a pedestrian mall with a new traffic circulation arrangement, and development of a cultural area.

Since 1975, CDBG funds have been used to advance these plans for downtown development. During fiscal 1978, CDBG funds were spent to improve streets and parks in the central business district, and to acquire and demolish properties for development of a festival site. Small-scale commercial business investment was also a focus of CDBG funds. Grant subsidies to individual owners of small businesses located in lower income neighborhoods, and capital improvements--streets, landscaping, and parking--in neighborhood shopping district were undertaken with the block grant funds spent in 1978.

Rochester, as has been noted, depends heavily on the health of the manufacturing sector for retention of jobs. One federal grant that is expected to give a large boost to the local economy, was awarded after the close of the 1977-1978 year. This was a \$5.2 million urban development action grant (UDAG) awarded to the city in September 1978. The funds will be loaned at low interest to the Sybron Corporation, manufacturer of health products, dental equipment, industrial process control systems, measuring instruments, and specialty chemicals. The firm will use the loan to expand and modernize two adjoining manufacturing facilities located within the city. The UDAG is expected to attract \$23 million from Sybron for investment costs over a seven-year period. State and city taxing and financing incentives, in addition to the UDAG, were

also enlisted in the successful effort to dissuade Sybron from relocating its facilities in the South, with an attendant loss of 2,500 jobs.

Benefits to Minorities

Minority persons currently constitute about 30 percent of Rochester's population. Blacks make up 21 percent and Hispanics 9 percent. The median income of families in both groups, but especially of black families, is considerably below the city median. Hence, program benefits aimed at low-income families would disproportionately benefit members of minority groups.

Of all the federal programs listed in table 6 that directed benefits to specific groups, three have been identified as resulting in notable benefits to minority groups. These are the programs supported with funds from CETA, Elementary and Secondary Education Act (ESEA), and Urban Mass Transit Act (UMTA) programs. Data are available for each funding source that permit comparisons across racial lines.

More than 55 percent of the jobs funded by CETA were filled by minority persons. The distribution of jobs varied by title: 52 percent of title I, 38 percent of title II, 82 percent of title III, and 55 percent of title VI positions were filled by nonwhites. Regardless of title, however, minority persons benefited heavily from CETA funds. This is evident from a comparison with the city's regular (non-CETA) work force, which was 18.8 percent nonwhite at the end of 1977.

Also benefiting minorities were supplemental reading and math programs and bilingual programs funded under title I of ESEA. Thirty of the city's elementary and secondary schools received title I aid. Seventy-eight percent of the students in title I schools were nonwhite in 1977-1978; by contrast, nonwhite students composed 53 percent of the total city school district enrollment during the same time period.

Finally, UMTA funds to subsidize the operating deficit of Rochester's bus systems were of particular importance to black residents of the city. A survey of users of the bus system in January 1978 found that 27 percent of the riders were black, a proportion almost 20 percent higher than the black population in neighborhoods along the routes from which the survey sample was drawn, and 6 percent higher than the estimated proportion of blacks in the total city population.

It is one matter to identify benefits to nonwhite persons in these quantitative terms, but another to show that the funds resulted in improved social and economic conditions for these minority groups. A report issued by the Urban League of Rochester

in August 1978, titled The State of Black Rochester, asserted that blacks and older minorities have lost ground in employment, education, and housing. To support this conclusion, the report cited unfavorable comparisons between unemployment rates for minorities (15 percent) and whites (6 percent); differences in the quality of housing lived in by blacks and whites; and increased racial isolation of city schools. Whether the programs funded with federal aid helped to retard a potentially more unfavorable situation for Rochester's minorities or had no impact at all remains an issue for future examination.

Benefits to Neighborhoods

Rochester's neighborhoods are many and varied; they differ along ethnic and socioeconomic dimensions. Overall, however, they share one characteristic of overriding political importance: They are well organized and skillful in articulating their concerns to city officials.

The distribution of CDBG and LPW funds throughout city neighborhoods shows the close relationship between the needs articulated by neighborhood associations and the city administration's expressed determination to stabilize the city's population in its neighborhoods.

CDBG funds were dispersed in three ways in fiscal 1978. First, money for housing rehabilitation loans and grants went to eligible homeowners throughout the city. Second, other CDBG funds were spent within the Community Development primary target area, a large area of lower income census tracts that takes in more than half of the city's population. Third, the funds were directed to selected moderate-income, "conservation-focus" neighborhoods within the primary target area, where residential and commercial capital improvements and neighborhood planning projects were funded.

From the city's perspective, the three-pronged geographical distribution of CDBG funds not only met the federal requirement regarding lower income persons, but also aimed funds at those neighborhoods where planners felt that modest public investment would help contain blight, thus stabilizing those areas.

Residents of moderate-income neighborhoods, many of whom had felt that their needs had been ignored under the old urban renewal and model cities programs, were largely satisfied with the way the city allocated CDBG funds. Persons from middle and higher income neighborhoods outside the primary target area were dissatisfied, as were residents of low-income neighborhoods that were within the target area but had not been designated for specific sub-area targeting.

LPW funds for reconstruction of city sidewalks were spent in many of those disaffected middle and higher income neighborhoods.

The location of the sidewalk projects in these neighborhoods could be viewed as the city's response, in part, to complaints from these areas. Allegations by one neighborhood organization that the city government engaged in "redlining" by not including a low income section in a conservation-focus area were still current at the end of 1978.

Summary

In sum, lower income persons and minorities and residents of low- and moderate-income neighborhoods benefited from the expenditures of federal funds during 1977-1978. They did not all benefit to the same extent from the specific funds available to the city government and other governments operating within the city.

Nonetheless, the fact that these Rochester residents were the main overall beneficiaries of federal aid transforms Rochester's dependence on Washington from fiscal to human terms. CETA funds, for example, not only enabled the city government to maintain services, but also provided jobs for lower income persons. Similarly, CDBG served two goals: the broad one of neighborhood stabilization and the narrow one of improving the quality of life for individual low- and moderate-income homeowners.

In the absence of federal assistance, not only would Rochester's fiscal plight have been exacerbated, but its citizens most in need of public services would also have been further disadvantaged.

V. POLITICAL AND INSTITUTIONAL EFFECTS

So far, we have discussed the economic and social outcomes of federal grants in Rochester without discussing the local processes by which those grants were allocated. What actors within the Rochester political system were most influential in shaping decisions about the uses of federal aid in fiscal 1978? What were the broader effects of federal aid on institutional processes both within and outside the city government? This section will trace federal grants as they directly affected the local decision-making process, and as they indirectly influenced the continuing dialogue about Rochester's present and future between those who govern and those who are governed.

The Effects of Federal Grants on Decision Making

Decisions about the uses of federal aid allocated directly to the city government in fiscal 1978 were arrived at through a highly centralized process. The views of elected and appointed officials as well as those of persons and groups outside the government were solicited and coordinated by the office of the city manager. This decision-making pattern, clearly in place in 1977-1978, had evolved over the previous five years in response to the changing nature of federal grants--away from categorical programs to general revenue sharing and the block grants, which afforded greater discretion to local officials in the uses of the funds. During the 1960s, patterns of decision making had been fragmented. Although the city council had legal sign-off responsibilities for both the urban renewal and model cities programs, the reality was that requests for funding and local administrative decisions were made by model cities and urban renewal bureaucracies, which operated separately from the general city administration.

In the case of model cities, a bureaucracy developed with primary allegiance to the citizen neighborhood councils, not to city hall. The city manager and city council tended to defer to the technical expertise of the urban renewal bureaucracy in housing and slum clearance matters, thus fostering that bureaucracy's independence.

Centralization of decision making for federal funds had its impetus in 1972 with Rochester's participation in the Chief Executive Review and Comment (CERC) phase of the federal "Planned Variations" program. CERC funds were used to develop a federal program information and clearance system in the city manager's office, and to shift emphasis away from exclusive concern with planning to management capacity considerations. An observer,

commenting on these accomplishments in Rochester, noted that a "major point of ambiguity still existed"³⁴ after two years of CERC experience--namely the lack of an explicit set of local goals and objectives against which to match grant applications.

New Federalism Effects

Of the New Federalism programs which followed close on the CERC experience, general revenue sharing further enhanced the central role of the city manager. The CDBG funds, on the other hand, were a catalyst for articulation by elected and appointed officials of long-term goals and objectives for Rochester. CDBG funds also led to firmly established communication channels between community organizations and the city government. From the outset to the present, decisions about uses of GRS have been shaped by the city manager in close consultations with the budget director, in the context of budget balancing considerations.

Elected and appointed officials in both Republican-dominated (1970-1973) and Democratic-dominated (1974-present) administrations recognized that GRS funds substitute for greater increases in the property tax rate. As a result, they allowed the manager to control the allocation of GRS funds and the entire budget process. The block grant for community development, on the other hand, was perceived from its outset in 1974 as an opportunity for generalist officials, both appointed and elected, to control the allocation process. CDBG funds were viewed as an incentive to redefine Rochester's development priorities, to move away from almost exclusive preoccupation with urban renewal. In contrast with their nearly perfunctory role under urban renewal, city council majority members were deeply involved with the city manager and staff in shaping CDBG broad policy outlines and program details. Early in the application process for the first CDBG entitlement grant, the council asserted its policy-setting role. It rejected a proposal from a staff task force for an unstructured framework for soliciting public proposals. Instead, the council set up a framework that channeled citizen comments into neighborhood reinvestment and economic development -- new areas of emphasis for the city.

Council members were also actively involved in determining the distribution of CDBG funds. The council majority's preference for a single, large, lower income target area prevailed over alternative staff suggestions for exclusive targeting of the funds in selected city neighborhoods. In addition, council members were instrumental in establishing citywide housing rehabilitation as a new program priority.

Elected and appointed officials consciously decided not to establish a citizen advisory committee for the CDBG program because they were unhappy with the independence of the model cities citizen organization. They believed, moreover, that consensus around CDBG allocations would be highly unlikely given an advisory committee composed of neighborhood-based "hardware" advocates and

minority-based social services, "software" advocates. Finally, elected and appointed officials agreed that the city's priorities for neighborhood conservation and economic development were most likely to be implemented if citizen participation was solicited within limits, at public hearings and workshops, and through regular channels into the department of community development. With these decisions about program and process, all of which have continued essentially unchanged, the city council established a pattern of active partnership with the city manager in a more centralized process than under the categorical programs.

For the allocation of federal funds in 1977-1978, we view decision making from two perspectives: from above, where we focus on the orchestration of policy outcomes by generalist officials; and from below, where we focus on the orientation of community agencies toward the city government.

The View From Above

From above, the perspective involves two sets of actors--appointed officials and elected city council members. Among appointed officials, the city manager played the strongest role in setting the direction for the uses of most federal funds. In the case of grants for operating programs, the manager and his budget director employed a conservative fiscal approach. GRS and ARFA funds were allocated in the context of revenue shortfalls. PSE positions within the city government were approved on the condition that any department which characterized a position as "essential" had to be prepared to fund it, upon expiration of PSE funding, out of the department's current operating budget. There was, however, little central coordination over the PSE positions, because pressure to spend millions of dollars quickly precluded extensive coordination among city agencies with PSE positions.

Capital grant requests were processed by the Capital Program Review Committee (CPRC), described in an earlier section. The CPRC gave high ranking to capital resources projects for which grants such as LPW and CDBG were available. Auditing and evaluation functions were also centralized, with finance and budget bureaus carrying out these roles for all federal grant programs, irrespective of administering department. For the uses of capital grants and ARFA, GRS, and PSE money, then, the manager, together with his budget director and the CPRC, exercised strong direction within the bureaucracy. Resource allocation was less centralized for LEAA funds; the manager generally deferred to the strong proprietary claim of the police department over the uses of these funds.

Participation of Elected Officials

In 1977-1978, the involvement of elected city council members in setting local policy for the uses of federal funds was also extensive. Decisions about CDBG and CETA in particular consumed

much of the attention of the eight-member Democratic majority of the city council. "If you took away CD and manpower," the mayor observed, "the council agenda would be down to nothing."

Elected officials continued to be active advocates of the CDBG program emphases established in the first year, as they considered and approved specific program appropriations, and as they worked informally to enlist the cooperation of the private sector and the county government in revitalizing the central business district and in retaining manufacturing jobs.

Although they spent considerable time on CETA matters, council members generally adopted a hands-off approach for decisions on specific PSE positions. They supported the manager's view that PSE positions were not a basic resource to alleviate the city's underlying fiscal problems, and they usually deferred to staff recommendations on PSE jobs within city government.

Regarding requests from community-based organizations (CBOs) for PSE slots, their main effort was to adopt a set of criteria for awarding project funds. They strongly endorsed a decentralized procedure for processing such requests. An initial contract with the United Community Chest to "develop, evaluate, recommend to the city, and later monitor the operations of nongovernmental organizations with CETA projects" was abrogated by the Chest in September 1977.

This was a result of adverse publicity generated by a single Republican council member around a Chest recommendation for an award to the Gay Alliance of Monroe County, which proposed to conduct a survey on discrimination against homosexuals in housing and employment.³⁵ City officials did not withdraw the evaluation function from the community after the Chest's action. Rather, they entered into a similar contract with the Rochester Urban League. The League several months later recommended a nearly identical set of projects to the council, including that of the controversial Gay Alliance. By that time the controversy had passed, and the city council approved all of the League's recommendations and renewed the evaluation contract.

Several explanations would seem to account for the council's less assertive posture toward specific PSE allocations. First, council members felt that capital programs undertaken with CDBG funds were more important to the future of the city than employment opportunities funded under CETA. Second, use of an outside organization to evaluate funding requests insulated elected and appointed officials from the direct competition for funds among CBOs.

Despite differences in style of involvement by elected officials for CDBG and CETA decisions, the overriding fact is that city council members were deeply involved with the city manager in establishing the ground rules for allocating federal funds. Thus,

the view from the top reveals a highly centralized process in which generalist officials, both elected and appointed, were the dominant actors. Together with the view from below, the allocation process for federal grants in 1977-1978 in Rochester could be characterized as a kind of democratic centralism--a process in which the views of citizens were solicited within a centralized framework.

The View From Below

One of the most striking political effects of the New Federalism grants is the extent to which they have energized community groups throughout the country. "New program directions," according to Catherine Lovell, "are being encouraged and supported by new community coalitions strengthened by the increased involvement of the elected officials in grant decisions."³⁶ The intense interactions between Rochester's CBOs and the city government over the allocations of federal grants in 1977-1978 support Lovell's observations. Neighborhood associations became involved in local distribution of CDBG funds as did nonprofit service organizations in the spending of PSE funds.

Neighborhood Associations

Neighborhood associations, long an established feature of the Rochester community, have altered their modes of operation and expanded their scope of activity since 1974. At that time, neighborhood groups and the city government came in contact sporadically, most often to argue. By 1977-78, their contacts were more cooperative and regular. This shift came in response to the neighborhood conservation policy adopted by city officials at the outset of the CDBG program. That policy emphasis, as has been discussed, was to be implemented within the community development Primary Target Area (PTA). Hence, neighborhood organizations within the PTA were, ipso facto, competitors for neighborhood conservation funds. The competition, however, was carefully managed by the Department of Community Development so that neighborhood was not pitted against neighborhood.

Rather, through two programs--neighborhood planning assistance and neighborhood development--neighborhood associations worked directly with Community Development staff persons to identify land use planning needs, improvement strategies, and specific projects. Eleven separate neighborhood organizations contracted with the Department of Community Development between 1975 and 1978 for planning studies undertaken jointly by the city government and the neighborhood association. One such planning agreement, for example, stipulated that the city would identify the magnitude of housing abandonment in the neighborhood and would develop a promotional program to increase owner occupancy and improve rental properties, while the neighborhood association would conduct a survey of attitudes of current residents.

These planning efforts led to greater sophistication among the neighborhood associations about the nature of urban problems as well as the operation of city government. Subsequent funding, under the neighborhood development program, of capital projects identified in the studies further reinforced the orientation of the neighborhood groups toward the government.

Many of the recommended improvements in recreation, housing, and street lights for example, which resulted from the planning agreement just cited, were funded by block grant allocations in 1977-78. As neighborhood associations achieved successes through regular communication with the Department of Community Development, citizens have lost interest in attending formal public hearings on how CDBG money will be used. "Our Neighborhood Development planning staff has worked so closely with neighborhood associations," a Community Development official stated, "there is very little at meetings that surprises them."

Community Service Organizations

The availability of public service employment money has led many of the city's nonprofit service organizations to change their relationship with the city government. Some have redefined the services they will provide.

More than seventy educational, cultural, and social service organizations were receiving CETA funds by the end of 1977. Some used PSE workers for capital improvements; a \$1 million project administered by the YMCA repaired the facilities of several other agencies. Other PSE workers were used in pilot projects, such as a "Downtown Cleanup" project run by the local affiliate of the National Alliance of Businessmen; this was to be continued with private funds. CETA funds also helped some agencies shift their focus; a neighborhood center in an area with declining population redefined its mission to become an urban training center.

This agency, which now provides job training for persons from throughout the city, is a prime example of how nonprofit agencies are able to use the wide array of federal programs to suit their own purposes. This center used CDBG funds to renovate an abandoned appliance factory to use for job training, along with related child care and counseling programs. Trainees and participants in a housing revitalization program were supported with CETA money. The child care program used title XX, and a foster grandparents program for the low-income elderly was funded through the Older Americans program.

The director of this center said the secret of his success was skill at "wire splicing." He commented: "If we had to go to Washington, it would be too hard. Here we can coordinate one grant office with another and splice it all together."

Political Stability and Volunteerism

These views of decision making--from above and below--reveal a process which was highly centralized and yet allowed for active involvement by community groups. Federal grants clearly facilitated this centralized, yet democratic, process, but they alone were not enough to sustain it. Two other factors--the absence of enduring cleavages within the City Council, and a strong tradition of volunteerism--were equally important.

Since 1974, the City Council has consisted of eight Democrats and one Republican. One city manager, appointed in 1974, served at the council's pleasure until the end of 1978. While majority council members developed specific areas of interest and expertise, they displayed unanimity in public for the policy positions that they reached through their ongoing caucuses with the city manager and other appointed officials. Indeed, in the municipal elections of 1977, in which all five at-large City Council seats were won by Democratic candidates, the common campaign theme of the Democrats was that their administration had successfully used federal funds to implement neighborhood conservation and economic development strategies. Hence, a stable political environment reinforced the new centralized relationship between citizens and public officials.

A highly developed tradition of local volunteerism was the other key element that sustained the new decision-making mode. Credit for the "contagious habit of Rochesterians...to analyze, criticize, and make recommendations concerning their government"³⁷ has been given to George Eastman, founder of Rochester's largest industry. His efforts in the 1920s were instrumental in local adoption of the council-manager form of government.

Rochester residents follow Eastman's example of civic activism through their neighborhood associations. Such involvement also extends to business owners, who supported the City Council's decision in 1974 to assign economic development a high priority, along with neighborhood conservation, in the city's community development program. Business owners have realized that both public and private efforts are needed to revitalize the central business district and to retain manufacturing jobs.

Such voluntary participation by the business community was encouraged by city officials, who promoted the transformation in 1977 of an ad hoc committee of the Rochester Area Chamber of Commerce into the Downtown Development Corporation. This independent, private corporation is the channel through which Rochester area businesses, assisted by staff, work in partnership with the public sector to revitalize the central business district and to attract new industry to the city.

"Rochester is unique," a former president of the Rochester Area Chamber of Commerce asserted in 1977. "It's unique because of the high degree of volunteerism and the degree of cooperation among the

business community. We usually get things done better and we get them done faster. If the government does it by itself, it's going to be a disaster. Thus, progress has to be a result of government and business working together."³⁸

Overall Development Strategy

The political and institutional environment within which decisions took place in 1977-1978 about federal aid allocations had broader policy implications as well.

Rochester's Overall Economic Development Program (OEDP) was completed in November 1977. Although prepared for the specific purpose of enabling Rochester to qualify for EDA "redevelopment area" grants from the Economic Development Administration of the Commerce Department, the OEDP went far beyond EDA requirements. Yet the development goals which it identified were not particularly novel. Retention of industry, stabilization of the central business district, promotion of tourism, and improvement of neighborhood business areas were objectives that Rochester had already been pursuing with CDBG and local funds.

What was noteworthy about the OEDP was that it was a comprehensive effort to evaluate the city's potential for economic development that involved all major components of the public and private sectors. The OEDP was the product of a committee representing labor, business, minority, neighborhood, and government interests, with staff assistance from the Community Development Department. The very community elements whose cooperation would be necessary to implement the economic development plan were themselves part of the goal-setting process. The articulation of an overall economic development strategy in Rochester was a logical extension of the priority-setting for neighborhood conservation and downtown development begun under the CDBG program.

Rochester's OEDP also affected the county's future plans. Common economic links between Rochester and Monroe county were explored in goal-setting processes which led to Rochester's OEDP and, some six months later, to an Economic Development Plan (EDP) for the county. Three members of the city's OEDP committee also served on the county's Economic Development Planning committee. Both city and county plans agreed on the importance of Rochester's Downtown and on the desirability of developing high technology training programs to assure a skilled labor force for local industries.

The areas of agreement between the city and the county were broad, but they had limits.

One of the most important signs of city-county cooperation came in November 1978 when the county legislature agreed to share the public sector costs of developing an eleven-block cultural district in downtown Rochester. The city government, private business, and

nonprofit organizations will also help pay for this \$40 million project. The Downtown Development Corporation, using city CDBG funds, had translated the general goal for a cultural district into a specific project and obtained private support for its implementation.

But the limits of agreement between the city and county government became apparent when a developer proposed a 125-acre retail mall in a suburban town within the county. Although that town's officials argued that the mall would generate new jobs and sales tax revenues for the county, and that these would be shared by the city, Rochester officials perceived the plan as a threat to the city's downtown development plans.

The city government requested action from the state that resulted in a delay in construction. The New York State Department of Environmental Conservation responded in June 1978, ordering the developer to prepare an environmental impact statement, delaying the start of construction for at least one year. However, the city's initiative had unintended consequences, when the county legislators representing the suburban town residents withdrew support for the special refuse disposal district to be enacted in response to the Waldert decision. As a result, the county legislature in November 1978 rejected the disposal plan, forcing the city government to cope with an immediate fiscal crisis indirectly created by the desire to strengthen its long term economic position. Thus, in spite of the internal political and institutional changes in Rochester engendered by the availability of federal grants, the city still remained inextricably linked to an external government over which its control was limited.

Summary

Federal grants were a lifesaver for Rochester during the 1970s when the city faced the problem of providing more costly services with shrinking local revenues. These grants did more than provide revenue, however. Federal aid enabled city officials to reshape the local decision-making process, both within the city government and in its dealings with outside groups and the county. The aid also spurred the city to define its priorities for community and economic development.

With the New Federalism programs of the 1970s, the city manager and city council members began to assert greater control over the setting of priorities and the management of federal grant than they had exercised under urban renewal and model cities programs. In fiscal 1978, the city council, in partnership with the manager, determined both the substance of programs and the process by which citizens participated in local allocations of the largest federal grants--CDBG and PSE.

The decision-making process is a form of democratic centralism. It is centralized in that generalist officials, elected and

appointed, defined the procedural and substantive framework within which community participation was encouraged. It is democratic in that community-based organizations--neighborhood associations and service organizations--were energized by the availability of federal aid to enter into a new partnership with the local government.

Federal grants also led representatives of the public and the private sectors to develop a comprehensive economic development strategy for Rochester. This was the logical extension of the process that had established neighborhood conservation and downtown development goals under the CDBG program.

Finally, the city's ability to implement its development goals is linked to the attitudes and actions of other local governments in the Rochester area. Thus even with the extensive changes in the city's political institutions that have resulted from the availability of millions of federal dollars, the ability of these funds to solve Rochester's basic economic and fiscal problems is limited.

VI. CONCLUSIONS

It was a paradoxical coincidence that a state constitutional limitation on Rochester's ability to raise local revenues was reaffirmed at the close of the same fiscal year during which the city received millions of dollars of federal aid. The coincidence dramatized Rochester's dependence on federal assistance. The paradox was that although the funds from Washington enabled the city to define and even begin to implement its goals for economic and community development, they could not, by themselves, alleviate the basic problems confronting Rochester.

These themes--dependence, innovation, and limitation--are woven through the analyses of fiscal, employment, social and political effects of federal aid on the city of Rochester. In this final section, we will summarize these themes and offer some observations about Rochester's future.

Dependence

As the 1970s wore on, Rochester's dependence on federal grants grew. The primary form of the dependence was fiscal, as Rochester's local resources proved inadequate to cope with the mounting costs of operating programs. General revenue sharing and CETA funds were particularly important in supporting the city's efforts to maintain services. In fiscal 1978, for every dollar of locally raised tax revenues, federal revenues for operating programs were providing another 37 cents.

The Waldert decision, upholding the state constitutional limitation on spending, and a stagnant property tax base left the city with few alternatives to federal operating grants. City officials felt that service cuts or revenues from new local sources would harm the city's goals of attracting businesses and people. County and state governments were viewed as avenues of assistance, but not of the magnitude needed to compensate for a federal aid loss.

Rochester's dependence on Washington extended through other public agencies operating with the city who received federal aid. Federal grants to Monroe County constituted important shares of the costs of delivering county services to Rochester and helped the county provide service for the city. Other public agencies also relied heavily on federal grants to provide education, housing, and transportation services to Rochester residents.

Dependence had a human dimension as well. Poor persons, minority groups, and residents of lower income neighborhoods were the main beneficiaries, overall, of federal funds to Rochester and other recipient governments. In the absence of these grants, educational, employment, housing, and other opportunities for these groups would surely have been diminished.

Innovation

Federal aid engendered innovation in Rochester's programs and politics. This study generally supports the expectation of New Federalism advocates that less restrictive forms of federal aid would improve the capacity of local governments to deal with local problems. Political and institutional changes instituted in response to the availability of GRS and CDBG funds combined to firmly establish a centralized, yet democratic, process for setting local priorities. Elected and appointed generalist officials defined the procedural and substantive framework within which community involvement was solicited. Neighborhood, service, and business organizations were energized into a new partnership with the government. In some cases, community agency goals were reexamined in view of these federal funds dispensed by the city government.

The community development block grant, in particular, was an important catalyst for the redefinition of Rochester's priorities--away from urban renewal to neighborhood conservation and economic development.

Federal capital grants enabled the city government to begin to implement these newly defined development priorities. The neighborhood conservation strategy included housing rehabilitation and sidewalk repair projects, neither of which would otherwise have been undertaken because of legal or historical obstacles.

Limitation

Despite the influx of federal aid to maintain city services and the importance of such assistance for innovation in programs and politics, the city's economic and social problems persisted. Outflow of population, abandonment of housing, deterioration of neighborhoods, and loss of manufacturing jobs continued to confront Rochester's decision makers at the end of the 1970s, as they had at the outset of the decade. It is not possible to conclude either that these trends have abated or that federally funded allocations for neighborhood improvements or economic development have made any difference in containing the spread of blight or inducing private reinvestment in the city.

It is clear, however, that federal aid cannot by itself reverse the city's situation. The city's reliance on its overlying county government to share the burden of providing city services is evidence of the overriding importance of city-county relations.

Those relations, as they involve economic competition among Rochester and its surrounding towns, is also critical for determining whether Rochester succeeds in its goals of downtown development and creation of manufacturing jobs.

The Next Decade

The shape of Rochester's future is uncertain. Demands on the public sector continue to increase; local resources continue to shrink, supporting a pessimistic prognosis. On the other hand, the city's capacity for reevaluation and an unusual partnership between public and private sectors in defining and working toward common community goals gives rise to optimism. In the 1980s, federal grants will undoubtedly have a high priority for Rochester--as lifesaver under the pessimistic scenario, and as innovator under the optimistic one.

NOTES

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21. Thomas P. Ryan, Jr., in letter to Sen. James Buckley, January 22, 1976.
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24. Under the 1974 Housing and Community Development Act, Rochester's projected entitlement, after phase-out of the hold-harmless period in the sixth year, was \$4.4 million--a decrease of 70 percent from its first year entitlement of \$14.9 million. The dual formula included in the 1977 act mitigated this decrease substantially, resulting in a sixth-year entitlement of \$12.2 million.
25. John Stainton, statement before the Subcommittee on Housing and Community Development, U.S. Congress, House of Representatives, March 3, 1977.
26. Lucien A. Morin, statement before the Intergovernmental Relations Subcommittee, U.S. Congress, House of Representatives, October 22, 1975.
27. Home Relief is a local- and state-funded public assistance program; there is no federal contribution.
28. The 1970 census showed less than 1 percent (0.7 percent) of county employment as agricultural. Current estimates are that agricultural employment has declined since 1970 and now accounts for 0.3 percent of total county employment.
29. Such an explanation was suggested by the Monroe County Director of Social Services, as reported in the Democrat and Chronicle (Rochester), October 5, 1978.
30. The county government's 1977 fiscal year is the time frame for this accounting of grants. Hence, round 2 LPW expenditures would not be noted, as the county's fiscal year ended on December 31, 1977.

31. City of Rochester, 1977-1978 Budget, p. 1-18.
32. Grants for which data were inadequate to assign benefits were adult education, Civil Rights Act, Economic Opportunity Act, impact aid, Indian Elementary and Secondary Assistance Act, and Indochinese Refugee Children Assistance Act.
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35. Further detail concerning the controversy is presented in Richard P. Nathan, et al., Job Creation Through Public Service Employment, vol. 2, Monitoring the Public Service Employment Program, An Interim Report to the Congress, National Commission for Manpower Policy, March 1978, pp. 155-156.
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To assert that this study, as well as its predecessors, could not have been accomplished without the cooperation and assistance of individuals within the governments of the city of Rochester, county of Monroe, and other public agencies delineated in these pages, may sound trite. The fact is that it is unequivocally true. Further, the fact that such assistance was given willingly and with considerable grace and interest made a research project that otherwise could have been an exercise in frustration, a pleasurable challenge.

The contribution of each person interviewed--and several hundred interviews have been conducted since 1973--added to the author's understanding of the impacts of federal grants on Rochester. She would like to acknowledge the special contributions of three individuals who not only served as sources of data, but also taught her a great deal about the reality and complexity of managing an old northeastern city. These are Dorothy Serdennis, former assistant to the Rochester city manager; Suressa Forbes, commissioner of community development, city of Rochester; and Alexander DiPasquale, senior staff assistant to the Monroe County manager.

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Appendix A

FINANCIAL SOURCES AND CONVENTIONS

All funds (except Enterprise Funds) of the city of Rochester are accounted for on a modified accrual basis. Under this method,

revenues are recorded when received in cash, except for revenues which are material and susceptible to accrual...which are recorded when earned.

Expenditures, other than accrued interest on general long-term debt, accrued vacation leave, accrued pension costs, and accrued payroll are recorded at the time liabilities are incurred.

Encumbrances (commitments) are recorded as purchase orders or contracts are issued in order to reserve a portion of the applicable appropriation.¹

The funds of the city of Rochester are:

1. The General Fund, which accounts for the general operations of the city. Operations include revenues from property taxes, sales taxes, federal and state aid, and various fees; and expenditures such as debt service, retirement and social security and payroll costs related to general operations.

2. Enterprise Funds, which account for activities of the city that render services on a user charge basis to the general public. Excess revenues over expenditures are remitted to, and excess expenditures over revenues are subsidized by, the General Fund. The Enterprise Funds are:

- a. Port of Rochester
- b. War Memorial and Stadium
- c. Parking
- d. Public Market
- e. Cemeteries

3. Trust and Agency Funds, for which the city acts as trustee for money and property received from nonenterprise funds, and cash received from federal sources for specific purposes. These funds are Federal Revenue Sharing and Urban Renewal.

¹Touche, Ross and Co., The City of Rochester: Report on Examination of Financial Statements, Year Ended June 30, 1978, (Rochester: TR, 1978)

4. City Local Works Fund, which is used to account for street cleaning and snow removal expenditures.

5. Capital Reserve and Projects Funds, which account for accumulated expenditures from capital improvements for the city financed from monies transferred from other funds, federal and state grants, proceeds from bond and note sales, and capital reserve funds.

6. Other funds, including Local Improvement (to accumulate costs of sidewalk improvements which are then assigned to property owners), Water, and Public Library.

The following sources were used in the collection of fiscal data for this case study:

1. Annual financial reports, annual budgets, CDBG applications and performance reports of the city of Rochester;

2. Annual budgets of the County of Monroe, the Rochester City School District, and other public agencies operating within the city of Rochester.

3. Documentation in the offices of the city manager and mayor; departments of Community Development, Parks and Recreation, and Engineering and Maintenance, and Budget, Accounting, and CETA Administration agencies, all of the city of Rochester.

4. Documentation in the office of the county manager, Department of Social Services, Pure Waters Agency, Department of Public Works, and Office of the Aging, all of the County of Monroe.

5. Documentation in the offices of the Rochester Housing Authority, Rochester Genesee Regional Transportation Authority, and Rochester City School District.

Appendix B

IDENTIFICATION AND ALLOCATION OF FEDERAL GRANTS

The following steps were taken in identifying grant recipients and allocating expenditures to the City of Rochester:

1. All governmental units in Monroe County classified as direct service providers to the City of Rochester were contacted and asked whether federal funds had been allocated to them in 1977 or 1978. These units were:

City of Rochester
County of Monroe
Rochester City School District
Rochester Housing Authority
Rochester Genesee Regional Transportation Authority
Monroe County Water Authority

All of these units except the Monroe County Water Authority were then designated as federal aid recipients for the purposes of this case study.

2. The following kinds of grants were excluded from analysis and are not listed in table 3.

a. Federal grants that directly subsidize the income of individuals--such as Medicaid payments and aid to families with dependent children.

b. Federal grants received by nongovernmental units--such as higher education grants given directly to Rochester area colleges.

c. Federal grants received and expended directly by the New York State government--such as highway funds allocated to the state for construction of an interstate expressway around Rochester.

3. Federal grants to the five recipient jurisdictions were allocated to Rochester and so indicated in table 3 on the bases of residence of program participants and/or geographical location. These allocations were determined after consultation and review of grant application with appropriate program administrators.

a. For the city of Rochester and the Rochester City School District, 100 percent of grant funds were assigned to Rochester.

b. For the Rochester Housing Authority, 100 percent of funds for public and assisted housing units within the city were assigned to the city.

c. For the Rochester-Genesee Regional Transportation Authority, 100 percent of federal grants for its subsidiary Regional Transit Service and for studies of Rochester's traffic circulation patterns were assigned to the city.

d. For Monroe County, program participant and location data were used to assign proportions of total federal grants received to Rochester. For example, local public works funds for reconstruction of sewers within the city and construction of maintenance buildings in two county parks within the city were included; LPW aid for a park maintenance building outside the city was excluded. Health, Education and Welfare grants for rodent and lead poisoning control were all assigned to Rochester because of the use of these funds in inner core neighborhoods of the city. Seventy percent of the county's \$5.4 million in general revenue sharing funds in 1977 went for operating programs directed to Rochester residents, such as solid waste disposal services and subsidy of the transit service's operating deficit; table 3 accordingly shows an allocation of \$3.8 million.

Appendix C

DEFINITIONS OF FISCAL TERMS

1. Tax effort consists of the following revenue items, as presented in table 2:
 1. Property tax (ad valorem)
 2. Local works assessments (ad front footage)
 3. Utilities gross receipts tax
 4. Other taxes (in lieu of tax payments, interest and penalties)
 5. Sales tax
2. Own-source general revenues consist of all revenues for operating purposes, as presented in table 2, from city of Rochester and Monroe County sources except for interfund transfers and miscellaneous.
3. Total operating expenditures consist of the following funds, shown with fiscal year 1978 actual expenditures in thousands of dollars:

<u>General Fund</u>	118,537
<u>Enterprise and Special Funds:</u>	
Water	11,936
Parking	3,469
Library	5,010
General revenue sharing	4,087
War Memorial and Stadium	1,289
Cemetery	651
Public Market	117
Port of Rochester	80
Total operating expenditures	145,176

Appendix D

THE IMPACT ON THE PROPERTY TAX RATE OF CAPITAL GRANTS

The practice of the Rochester city government is to issue bond anticipation notes to raise revenue for new capital projects. When market conditions are favorable, the notes are later converted into bonds. During fiscal 1978, bond anticipation notes were actually issued at the following intervals, with these interest rates:

August 1977	3.46 percent
October 1977	3.93 percent
April 1978	4.29 percent

To estimate the impact on the property tax rate if federal grants had not been received and if the city, instead, had issued bond anticipation notes, the following procedure was used:

1. At the suggestion of the director of accounting, a 4 percent interest rate was used to compute the debt service costs on the \$19.9 million allocated in 1978 by the federal government as well as on the \$35.9 million actually available in federal capital grants in 1978.

2. Because repayment of principal is not mandated until one year after bond anticipation notes are issued, interest charges only were computed.

3. To calculate the effect on Rochester's property tax rate, the product of the interest times the capital borrowed (e.g., $0.04 \times \$19.9$ million) was divided by \$720,000--the amount of revenue generated by one dollar of the property tax rate.

Appendix E

ALLOCATION OF PROGRAM BENEFITS

For purposes of assessing benefits for income groups, Rochester's population was first divided into four categories based on the city's median family income, as defined by the 1970 census:

- I. Low income: 50 percent of the median
- II. Moderate income: 51-80 percent of the median
- III. Middle income: 81-120 percent of the median
- IV. High income: 121 percent or more of the median.

The city's median family income, based on the 1970 census, was \$9,996. Proportions of families in each of the income groups were: 18.2 percent, low; 17.6 percent, moderate; 28.3 percent, middle; and 35.9 percent, high.

These income groups labels should be regarded with caution. If the 1970 SMSA median--almost \$2,000 higher than that of the city--had been used, proportions of families in the low and moderate income categories would have been greater, at 23.4 percent and 24 percent, respectively; those in middle and high income groups correspondingly smaller, at 29.1 and 23.8 percent respectively.

Using the city median results in the anomaly that families with incomes higher by only \$130 than the SMSA median are labeled as high income. As noted in the introductory section of this case study, the disparity in income levels between the city and the rest of the SMSA has widened since 1970. Consequently, benefits to families in the two lower income categories are probably overestimated, with those to middle and high income groups overestimated.

Three general rules guided the assignment of benefits:

- a. Expenditures judged to benefit the community at large were assigned to the four income groups on a basis proportional to their size.
- b. Where available, records were used showing income characteristics for program participants--such as housing rehabilitation, loan recipient, job holders, and bus riders.
- c. Where records were not available, intended recipients were assumed to be actual recipients, and benefits were assigned accordingly.

Benefits from individual grants were assigned as follows:

1. CETA funds were distributed among the four income groups on the basis of records kept by the Office of CETA Administration.

Program participants who were classified as members of welfare families and/or economically disadvantaged families were assigned to the combined low- and moderate-income groups, because it was not possible to separate these income groups further.

2. CDBG funds were assigned after examination of the nature, location, and purpose of individual projects, using application and grantee performance report data for 1977-1978.

3. The records of the city school district were used in identifying the locations of schools to which the child nutrition, Emergency School Aid, and ESEA grants were targeted. Income characteristics of the census tracts in which the schools were located were the basis for assigning benefits of those funds.

4. The following grants were distributed to the four income groups according to their size:

- EPA
- Higher education
- LEAA
- LPW
- Open space
- Urban renewal
- Vocational education

5. The following grants were predominantly assigned to low- and moderate-income groups on the basis of user records, where available, and with heavy reliance on the judgments of administrators of individual programs on probable beneficiaries:

- Health
- Housing
- Older Americans
- Title XX
- UMTA

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